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Walter Laqueur

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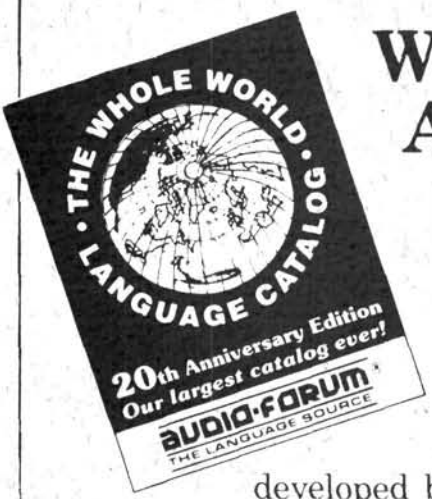

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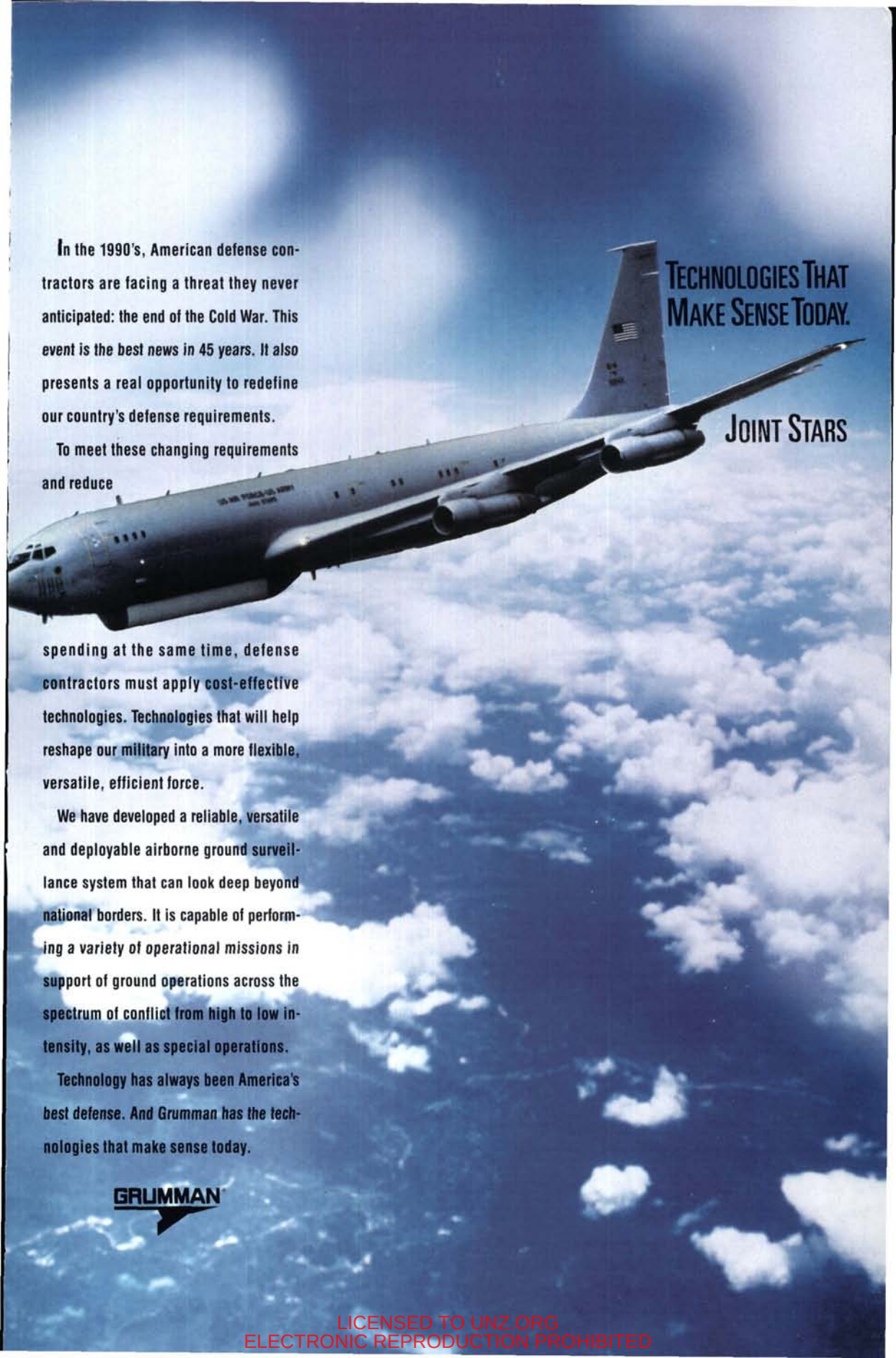

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WINTER 1992/93

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Foreign policy was deceptively muted in the election campaign, and the Clinton administration will find Americans ill-prepared for the demands of a world transformed. Domestic and international challenges cannot be neatly separated—initiatives at home may only complicate the problems abroad, and vice versa. The "courage to change" was Clinton's signal—and warning—of a dramatic break with the past.

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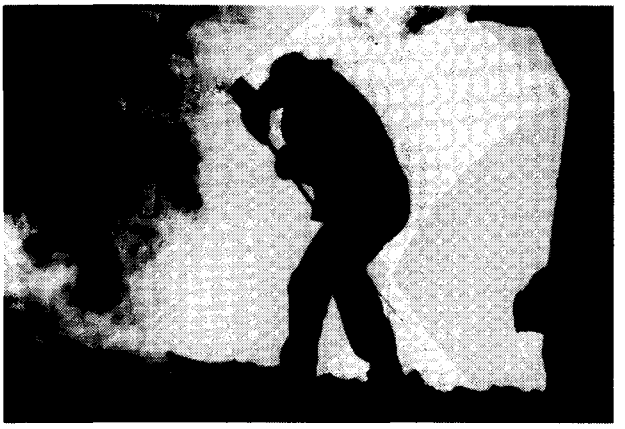

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175 SPECIAL REPORT: POLICYMAKING FOR A NEW ERA
Carnegie Endowment for International Peace
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PREFACE

The Relevance of Foreign Affairs

THE CLINTON campaign's blunt headquarters poster—"The economy, stupid!"—should go with the successful candidate to the White House.

The new president can use the reminder that easing economic distress must be his preoccupation. To do so at home, he will have to act abroad. Expanding trade, stimulating growth and coordinating currencies in the global arena are critical remedies to the interdependent economic woes of the United States and other nations.

As if that were not enough in the way of global distractions, President Clinton can expect challenges in traditional foreign policy areas of security and ideology. Far from disappearing, these staples have only metamorphosed following the collapse of communism and the Soviet Union.

It takes no stretch of imagination to sketch possible threats. Russia may return to an authoritarian government fueled by nationalist humiliation over an empire lost. Economically expanding China may react to increasing frictions with the United States by striving for leadership of those countries that bristle at an American-led world order. North Korea, prompted by China to follow its model of liberalized economics and repressive politics, may yet be tempted to renew aggression against South Korea. Japan, an uneasy U.S. ally, could opt for rearmament in the face of an aggressive China, a nuclear North Korea and a receding United States.

The Islamic world, racked by turbulence, could unite around anti-Western fundamentalism. It does not require a prediction of sweeping power for the fundamentalists to justify preparedness. It is enough to remember the active interest in acquiring nuclear technology in Algeria, Libya, Iraq and Iran.

The civil strife in ex-Yugoslavia and in Somalia augurs such conflicts in other parts of the former communist world, Africa and parts of Asia. Duly warned by public sentiment against responding as the world's policeman, the new president will have to marshal the resources of other nations. Even so, if prudence is to be satisfied, Clinton must persuade Americans to foot the bill for high-tech, rapidly deployable military forces that are expensive, although less so than today's military.

To be a catalytic leader, the United States must economically

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compete and cooperate more effectively. The task is compounded by overseas concerns at our deficit-avoidance, threatened trade wars and protectionist sentiments.

Ideology will not prove to be as dormant as Americans would like in the post-Cold War era. Liberal democracy, promising prosperity through the marketplace and the prospect of individual freedom and dignity, is once again proving to be difficult to achieve and fragile at inception.

With communism routed there remain potent ideological rivals to democracy. For good or ill, Islam will be a major factor along several strategic fault lines—from west to east, starting at the Adriatic, running through Central Asia to the outer provinces of China; and north to south from the Maghreb and Turkey to Yemen and the Sudan. Confucian statism is another deeply rooted ideology with continuing potency. And that old nemesis, expansionist nationalism, percolates in a number of places around the globe.

Many Americans look to collective responses for reducing the U.S. burden of leadership. Yet one cannot expect too much too quickly. Coalitions of states are hard to create and to hold together. International law and processes are still in their infancy. Sovereignty is becoming more porous in the developed world, but not yet in the vastly more populated developing regions.

Predictable, although undefinable, are the unexpected crises that have the greatest effect on a president's foreign policy.

Bundle up all these concerns and the new president, like his predecessors, will be deeply engaged in world affairs, even as he wrestles with unattended domestic ills. Lest Clinton be trapped in the role of fireman, dousing one crisis after another, America's national interests must be redefined with a long-term strategy to guide actions. Defining interests and setting strategy in a time of transition requires much discussion and debate. *Foreign Affairs*' important forum has proved critically useful in previous periods of historic change, and it will strive to be so again.

Current Offerings

IN THIS ISSUE *New York Times* editorial writer Leon V. Sigal finds that the presidential campaign inadequately prepared Americans for the global challenges ahead. Clinton pulled his punches on the thorny issues of military budget cuts, deficit

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management and trade liberalization. On other matters he "hugged" close to his opponent and the result was, in Sigal's words, "the last Cold War election."

Financier and scholar Jeffrey E. Garten follows with a call for urgent actions to stimulate growth *and* bring down the deficit. He argues against delaying cutbacks and taxes, saying Clinton's leverage will fade with time. Since remedies require international cooperation, Garten proposes an early summit with Germany and Japan.

Colin L. Powell, chairman of the Joint Chiefs of Staff, expands on his recommendations for flexible, rapidly deployable forces capable of a variety of missions, from peacekeeping to assisting humanitarian aid efforts, to containing regional threats. Whatever the mission, Powell warns anew against using military force without clear and achievable objectives.

A broad view of security is offered by energy experts Amory B. Lovins and Joseph J. Romm. They cite economic competitiveness as a linchpin of national security in the post-Cold War era. They recommend a dramatic shift in policy to promote energy efficiency, environmental technology and capital investments to transform America into a leading-edge economy.

Equally bold are proposals to alter U.S. attitudes toward global population control and human rights. On population, Michael S. Teitelbaum finds that the U.S. forfeiture of leadership in the struggle to reduce high fertility has contributed to a disastrous upward trend. Poverty, migration and environmental degradation cannot be treated separately from the need to limit runaway population growth. In a separate article, Robert Cullen recommends that the United States distinguish between championing individual and collective human rights to avoid being arbiter of a myriad conflicting claims.

What may be the largest cauldron of nationalist rumblings—Russia—is examined by Walter Laqueur. He delineates the varieties of nationalist sentiment to be found rising across the political spectrum. At a time when increasing interest in the "Chinese model" can be heard in Moscow, Laqueur speculates that a turn to the authoritarian right cannot be far off.

Meanwhile Europe, freed from the external Soviet threat, is finding unity harder to come by. Professor Walter Goldstein thinks that full economic and political integration is only likely if the overambitious Maastricht treaty is put on a more realistic path. Public demands for more democratic processes and sovereignty protection must be satisfied.

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U.N. Secretary General Boutros-Ghali asserts that the collapse of superpower rivalry both allows and requires increased U.N. peacekeeping and development efforts. He calls for a number of reforms to empower the United Nations and to increase its efficiency.

Three articles follow about Asian challenges and opportunities. Barber B. Conable, Jr., and David M. Lampton caution Clinton against isolating the United States from the boom that is turning China into an economic colossus. Nicholas Eberstadt points to the complicated and dangerous hurdles in the path of Korean reunification. And former Senator Charles H. Percy draws attention to the opportunities created by market-oriented reforms in the nations of South Asia.

Lastly, in this issue *Foreign Affairs* recognizes the importance of reorganizing the U.S. government for the post-Cold War era by publishing an abridged version of a report to President-elect Clinton. The memorandum is from a bipartisan commission, consisting of veterans of government service. Sponsored by the Carnegie Endowment for International Peace and the Institute for International Economics, the commission's central premise is that a flexible, integrated policymaking process must take the place of a Cold War government structure if the United States is to meet effectively the economic, environmental and security challenges that are now so interwoven.

If that "new era" agenda requires changes in government, so it does in *Foreign Affairs*. In coming issues *Foreign Affairs* will further explore those challenges that stem from the collapse of our rival superpower and those that went unattended because of the Cold War.

JAMES F. HOGE, JR.
Editor

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THE LAST COLD WAR ELECTION

Leon V. Sigal

Campaign Fails to Prepare Nation

THE 1992 ELECTION pushed the wider world to the periphery of American politics. Foreign policy was not much in evidence during the campaign, and for good reason: this election, more than most, turned on the state of the American economy. Yet foreign policy was actually a key to understanding the discontent pervading American politics.

Americans had wearied of the Cold War as far back as the mid-1980s. Many felt menaced less by the Soviet threat than by the nuclear risks and the exorbitant costs of deterrence. Meanwhile a long, but not especially deep, recession became in the minds of many Americans the start of a depression. If it was morning in America, Americans were suffering a hangover.

When President Bush and Congress were slow to react to America's straitened circumstances, public frustration with politics intensified, fueling an incipient crisis in the central institution of American democracy—the two-party system. The fervor for Ross Perot was just one sign of that discontent. Most political observers ascribed public disaffection to dissatisfaction with the presidential candidates of both major parties. But those two men were, by the standards of American politics, among the most capable of their peers and predecessors. More to the point, no one stands more clearly at the center of gravity of the Republican and Democratic parties than do George Bush and Bill Clinton. Their leadership is more than titular; they embody their parties. And that was the heart of the problem: what the parties stood for in the minds of many Americans over the past half century of Cold War and what they still stand for in 1992.

Throughout the Cold War the Republican Party's reason for existence was anticommunism. Republicans could be counted on to shield America from the Red Menace, at home and

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Leon V. Sigal is a member of the Editorial Board of *The New York Times*.

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abroad. Republicans could always outdo Democrats in their fierce devotion to that cause, even though they could claim no greater success. The Republican Party stood up to the Russian bear. Now that the bear has disappeared, what else does the G.O.P. stand for?

The Democrats' standard also seems threadbare, even as it flies in triumph. At times during the Cold War the Democratic Party's organizing principle was domestic reform and reconstruction—and it would get on with that job if only it were not for the Russian bear. The bear's departure drew public attention to the Democrats' domestic projects and exposed them as tired or inadequate. Democrats had only just begun to move beyond New Dealism. They dared not discuss how to pay for the sensible forms of public investment they proposed—rebuilding America's infrastructure and educating America's work force for the 21st century.

"The struggle to redefine the Republican Party and to free it from the thrall of religious zealots will revive as soon as President Bush leaves the White House."

For the Republicans the 1992 campaign merely postponed the struggle to redefine their party. George Bush succeeded in rebuffing or coopting rivals who had new visions for the party. Now that anticommunism was over, Pat Buchanan wanted to redirect the party away from Bush's interventionist internationalism and toward economic nationalism. But Bush branded that "America First" appeal isolationist, which it was not, and beat back Buchanan's challenge. Housing Secretary Jack Kemp, meanwhile, wanted to domesticate the party. Rejecting laissez-faire, just-say-no Reaganism, he tried to commit the party to a modest program of domestic reconstruction. But his voice was muted inside the Bush cabinet. The struggle to redefine the Republican Party and to free it from the thrall of religious zealots will revive as soon as President Bush leaves the White House. Then Republicans will at least have the luxury of opposition and may use their period out of power to redefine their purpose.

The Democrats, back in office, have it worse. Their candidate has not prepared the electorate for the tough choices he will have to make once he begins to govern. President-elect

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Clinton's campaign statements muffled the obvious—that paying for domestic reconstruction will require sacrifice, both in the form of higher taxes and fewer defense jobs. Clinton spent more time trying to protect wasteful arms procurement than detailing how to downsize defense and redirect the nation's energies toward domestic needs. And he did not deal with the ostensible contradiction of cutting defense even as the world has grown more turbulent.

The Democrats faulted 12 years of Republican rule for America's economic distress; the Republicans reached farther back, trying to pin the tail on the donkey. They cited the Carter years' 15 percent inflation and 21 percent interest rates. They even tried to make the Vietnam War an issue—24 years too late. Remarkably the Democrats reacted as if they had to burnish their war record in order to win: how else to account for a leading Democratic foreign policy adviser calling the party's platform a "put-Vietnam-behind-us document." There was even a brief burst of muted triumphalism as the two parties argued over who deserved credit for winning the Cold War.

The result was a backward-looking campaign—one that failed to prepare Americans to reorient themselves in a world transformed. And it put both parties in poor position to reconcile the philosophical differences likely to arise over that reorientation. Indeed, if public disaffection with the parties deepens, neither may be able to frame the coming debate over where and how the United States should remain involved in the world, and at what cost. In short, 1992 was the last election of the Cold War, not the first campaign into the 21st century.

Straddling Leaves No Mandate

THE BUSH PRESIDENCY largely confined itself to tidying up the details of the old agenda: accommodating German unification, concluding a chemical weapons ban, negotiating deep cuts in nuclear arms and trying to forestall their instant proliferation in the former Soviet republics. And he started a Middle East peace process by supple diplomacy that his successor would do well to sustain. Yet Bush was slow to anticipate new trouble and slower still to head it off. He failed by and large to assist eastern Europe and the Soviet Union in their perilous transitions, to devise a foreign policy squaring national self-determination with state sover-

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eignty and minority rights, to stanch bloodletting in Bosnia and to prevent the proliferation of all arms, not just weapons of mass destruction.

Yet responsibility for the narrowness of the debate rests foremost with the Democrats. In 1992, more than ever, it was the duty of the opposition to oppose. The Democrats dared not. Like a battlefield infantry fearing the lob of enemy artillery, the Democrats adopted a "hugging tactic," maneuvering to stay as close to their opponents as possible. They dodged debate about foreign affairs and fudged differences instead of sharpening them.

To their credit the Democrats did join the Republicans on the critical issue—how to rescue America from its economic predicament. Two decades of eroding economic performance and stagnating living standards demonstrated the urgency of the need to forgo private consumption for public investment and to shift public investment away from defense and toward more productive purposes.

". . . the Democrats adopted a 'hugging tactic,' maneuvering to stay as close to their opponents as possible."

But by straddling the issues of new world disorder, defense and trade, candidate Clinton denied President Clinton the mandate he will need to accomplish that transformation. Clinton failed to protect himself from the untoward political repercussions of his own program. The dangers now are that either he will surprise the American people, or they will surprise him.

Though Clinton has yet to offer it, there is an answer: the foreign disturbances almost certain to occur are not likely to threaten America's vital interests. They are best headed off by timely political and economic intervention. And any military engagement will not require remotely the scale of defense that deterring the Soviet Union demanded.

In his campaign Clinton talked about cutting an additional $60 billion from the Bush defense budget over five years. The Bush budget assumed an oversized Base Force of 1.6 million troops, set before the Soviet Union fell apart. Even the Pentagon was already contemplating deeper cuts. By emphasizing how close his budget was to Bush's, Clinton forfeited the opportunity to say where he would amass much of the means to pay for economic revitalization. That missed opportunity

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opened the way for Bush television spots to raise a telling question about his opponent: "Where will he get the money?"

Clinton compounded the problem by sowing confusion about his defense-industrial policy. In an August 13 speech to the Los Angeles World Affairs Council he took issue with those in his party "who see defense cuts as largely a piggy bank to fund domestic wish lists." But he himself proposed to do just that, and rightly so: "Every dollar we save by downsizing our armed forces and defense industries will be reinvested during our transition to a post-Cold War economy."

He also advocated state action to ease the wrenching economic adjustment: civilian retraining programs for military personnel, an education fund for defense industry professionals, help in relocating unemployed defense workers in civilian jobs, financial assistance for small contractors converting to nondefense work and aid to communities adversely affected by base closings.

Clinton then turned around and attempted to prolong wasteful weapons programs that even the Bush administration had tried to cancel—the Seawolf submarine, the M1-A1 tank and the V-22 Osprey tilt-rotor helicopter. His actions would give any industrial policy a bad name: picking sure losers for the sake of a few votes.

Clinton's pandering on defense did not stop there. He betrayed his own policy on nonproliferation by rushing to back the sale of F-15 fighter jets to Saudi Arabia and F-16s to Taiwan. His eager endorsements were sellouts of the Democratic Party's professed nonproliferation policy: "We must press for strong international limits on the dangerous and wasteful flow of conventional arms to troubled regions."

Elsewhere Clinton's qualified endorsement of the North American Free Trade Agreement (NAFTA) temporarily appeased organized labor and its supporters in Congress and avoided alienating blue-collar voters in northern industrial states. But it only postponed and prolonged the struggle over protectionism within the Democratic Party. And that will put President Clinton in a predicament. Protectionism is good opposition party politics; it is poor government policy. The opposition party can always out-shout and out-promise the governing party when it comes to protecting adversely affected interests on trade. But protectionism promises precious little in the way of economic expansion in the coming four years.

Worse still, protectionism blunts the thrust of the funda-

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mental transformation that Clinton wants to undertake. To his most astute economic advisers, renewing America's infrastructure and educating its work force are critical to improving its competitive position in the global economy and to raising America's living standard. It will take considerable rhetorical skill to convince the American people of that connection, let alone induce them to pay for those needed investments. But if unreconstructed industries can be spared by protectionist measures, why should other Americans sacrifice in order to invest in the future?

A Policy of Democratic Realism

THE TASK of redefining the ends and means of America's engagement with the world is essential for Clinton if he is to prepare the way for the deep defense budget cuts that will be needed to finance his domestic programs. It is urgent; Cold War verities no longer provide a sound guide or compelling justification for active international involvement.

The end of the Cold War so rearranged the map of American interests that geopolitics no longer provides the clearest clues informing foreign policy. That suggests why President Bush was so hard-pressed to make a convincing case for putting American lives at risk in the Persian Gulf without waiting longer for economic sanctions to take effect. He searched through a litany of purposes to justify his eager recourse to war—from world order interests like punishing aggression to avowedly mercantilist ones like securing oil and protecting jobs. Yet only two seemed to have much purchase—stopping Iraq from going nuclear and ousting Saddam Hussein. The first purpose required the administration to exaggerate the imminence of an Iraqi bomb and the urgency of going to war. The second proved unattainable, leading some critics to judge the president's war policy a failure.

Military intervention in Yugoslavia proved just as difficult to justify in traditional terms—regional instability in the Balkans was no longer the stuff of world war. Yet the "ethnic cleansing" campaign and concentration camps in Bosnia-Herzegovina posed a profound challenge to Western notions of world order: Would collective security or the law of the jungle prevail across Europe? Candidate Clinton was more prepared than President Bush to help wage a collective war of conscience in Bosnia, and he rightly recognized the world order

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implications. "In this crisis the international community faces the first post-Cold War test in Europe of the fundamental principles that international borders will not be changed by violent means and that minority rights must be respected," Clinton said. "Its outcome will set the standard for addressing other ethnic conflicts and the effectiveness of vital international institutions, including the European Community, the Atlantic alliance and the United Nations itself."[1]

At the same time his insistence on multilateral action provided a check against overeager interventionism.

"The debate over Yugoslavia also showed how radically the cleavage in the American political spectrum over the use of military force has shifted since Vietnam."

The debate over Yugoslavia also showed how radically the cleavage in the American political spectrum over the use of military force has shifted since Vietnam. Liberal internationalists insisted most on military intervention in Yugoslavia; conservatives like President Bush took refuge in realism, warning of the limits of power to attain ideals and of the risks of overreach.

The horrors of Yugoslavia also point up the urgency of preventive action, primarily nonmilitary, to promote a more peaceful transformation in the rest of eastern Europe and Eurasia. Much more than President Bush, Candidate Clinton sensed that need. And he found words to sell the idea of foreign aid to a skeptical American electorate: "A small amount spent stabilizing the emerging democracies in the former Soviet empire today will reduce by much more the money we may have to commit to our defense in the future."[2]

Clinton was also quicker than Bush to recognize that state sovereignty was not sacrosanct and that national self-determination was at times worthy of more than lip service. He took Bush to task for his August 1991 "Chicken Kiev" speech to the Ukrainian parliament and for his tardiness in recognizing the Baltic republics and derecognizing Yugoslavia. But as appealing as Clinton's attack may have sounded to ethnic

[1]Statement by Governor Bill Clinton on the crisis in Bosnia, July 26, 1992.

[2]"A New Covenant for American Security," speech at Georgetown University, Washington, DC, Dec. 12, 1991.

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audiences in America, Bush may have been wise to wait as long as he did. The fate of freedom in the former Soviet Union depends, first and foremost, on the future of Russia. A resentful and revanchist Russia could eventually endanger the liberty of its neighbors. Bush's delay in acknowledging self-determination, even in the former Yugoslavia—where it might have been taken as a precedent—gives Russian nationalists no basis for blaming America for the loss of empire. The challenge, in short, is not only to reconcile the will of the nation with the rights of the minority but also to reconcile the claims of self-determination with the realities of power. That means melding idealism with realism.

Clinton began to reformulate the terms and limits of America's international role in an October 1, 1992, speech in Milwaukee, calling for "a prodemocracy foreign policy." In it he sought to move beyond playing geopolitical chess and to give purpose to American power: "Our national interests oblige us to join in building a just, enduring and ever more democratic peace in the world."

But Clinton carefully avoided calling for a democratic crusade: "Every ideal, including the promotion of democracy, must be tempered with prudence and common sense. We know that ballot boxes alone do not solve every world problem and that some countries and cultures are many steps away from democratic institutions. We know there may be times when other security needs or economic interests will diverge from our commitment to democracy and human rights. We know that we cannot support every group's hopes for self-determination." Here was a chastened Wilsonian with no expansive call to pay any price, bear any burden, fight any foe for freedom.

A prodemocratic foreign policy puts a premium on political and economic means, not military. And it is best achieved in concert with others—"a global alliance for democracy," Clinton called it. That theme comported well with others that Clinton sounded during the campaign. He called for the redirection of foreign aid and the establishment of a volunteer Democracy Corps to nurture democratic development and to promote civic education in states emerging from communism and authoritarianism.

In Los Angeles on August 13 Clinton pledged "to pursue our interests when possible through strengthened institutions of collective security." But he was careful not to restrict

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America's freedom of action. As he told a New York audience on April 1, "I will never turn over the security of the United States to the U.N. or any other international organization. We will never abandon our prerogative to act alone when our vital interests are at stake. Our motto in this era will be: together when we can; on our own where we must."

"A prodemocratic foreign policy puts a premium on political and economic means, not military."

Clinton's prodemocracy foreign policy may face its sternest test in China, where the aging leaders, threatened by the regional devolution of power and even the disintegration of the state, may be tempted to use assertiveness abroad, in the Spratly Islands for instance, to rally the nation. If so, Clinton's prodemocracy direction may turn out to be no better premise for America's China policy than Bush's outmoded emphasis on strategic alliance. And Clinton may again find the need to temper his idealism with realism.

Yet Clinton cannot expand democracy abroad when it remains constricted at home. The new president will need to restore constitutional checks and balances after decades of Cold War erosion that culminated in the Iran-contra and Iraqgate scandals. Clinton has nonetheless begun to shape a promising new framework for American engagement in the world. He needs to build on these beginnings, both to create a mandate for needed defense cuts and the sacrifice required to endure ensuing dislocations, and to protect his domestic agenda from disturbances abroad.

Reshaping Roles and Forces

CLINTON WILL be required to reexamine many of the basic premises that guided American defense policymaking during the Cold War. The Soviet threat has disappeared, and with it the reason for nearly all the American strategic nuclear arsenal. Perhaps the most serious potential threat to U.S. security, and that of its allies, is the proliferation of weapons of mass destruction. But America and its allies have the power to curb much of this proliferation by diplomatic and economic means. Indeed military means are not up to the task—despite America's overwhelming Gulf War vic-

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tory, it has fallen to U.N. inspectors and economic sanctions to curb Iraq's proliferation efforts.

Similarly the old rationale for maintaining a substantial American troop presence overseas has also disappeared. The NATO allies' need for an American security guarantee has diminished, and so too has their need for U.S. troops. Nor is there much reason to equate the U.S. troop presence in Europe with American influence, as Bush tried to do. That influence was largely a function of others' insecurity, and now with that insecurity lessened, American influence is sure to wane as well, whether or not U.S. troops remain in substantial numbers. To justify the continued presence of U.S. troops in Europe as a means of sustaining American influence is to invite pressures for their removal.

There are good reasons to maintain a modest military presence in Europe: to reassure anxious allies that the United States is not abandoning them and to provide insurance against the unlikely prospect that security once again becomes less collective and more national. But Bush and Clinton differed on the size of that presence: Bush would leave 150,000 troops in Europe, Clinton 100,000. Both numbers seem excessive.

Similar considerations suggest the need for a residual U.S. military presence in east Asia. But U.S. forces on the Korean peninsula can be further reduced as talks between the North and South progress. Aircraft carriers need not establish a naval presence when Aegis cruisers will suffice. And the Navy's operating tempo can safely be curtailed. As some U.S. forces return home, the key is to intensify diplomatic dialogue on security issues, perhaps through an expanded Association of Southeast Asian Nations. The region lacks a multilateral framework like NATO or the Conference on Security and Cooperation in Europe where a security dialogue could take place regularly, and it would be useful to construct such a forum.

The fundamentally transformed international environment offers the next administration unprecedented opportunity to reduce America's armed forces, restructure roles and missions, downsize the defense-industrial base and revamp the way the Pentagon modernizes its weapons. The United States retains enough military might to take on more than two Iraqs at once. Yet neither Bush's defense cuts nor Clinton's reflects these excessive force levels. A prudent planner might hedge by

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shaping conventional forces to counter, say, one and one-quarter Iraqs. Such an aim, combined with slowed weapons procurement, would allow the defense budget to be cut by more than $60 billion a year over the next five years. Absent such reductions, defense extravagance will short-change domestic needs.

"To justify the continued presence of U.S. troops in Europe as a means of sustaining American influence is to invite pressures for their removal."

The sooner Clinton decides to shrink the Base Force and the defense budget, the better. Military professionals worry about morale in the ranks. But ask any corporate executive: nothing so damages morale as the fear that the ax may fall any day. Better to devise a clear plan for reducing the armed forces and to provide ample time and assistance for service personnel to adjust and retrain.

No potential rival can challenge America technologically; even the Soviets could not sustain the required pace of modernization. With its current technological edge the United States can afford to maintain research and development without fielding new weapons. To induce firms to undertake weapons research without building more than a few prototypes will require a fundamental restructuring of the way the Pentagon pays for technological advance. The Department of Defense can no longer afford the current pattern in which contractors absorb much of the cost of research and development in order to "buy in" to a weapons contract, only to "get well" subsequently by attaining large procurement orders or peddling arms overseas.

Procurement cutbacks will lead to drastic downsizing of the defense sector. Some defense manufacturers will be able to convert to civilian production; others are simply not equipped to meet the test of the market. Adjustment assistance, not conversion, will be needed to ease the transition for many. Arms manufacturers will talk of the need to preserve the defense-industrial base; that is the bunker from which they defend a privileged position that lays claim to America's scarce resources. Yet few segments of that base are critical enough to warrant special protection.

The candidates ignored this fact. Instead of defining Amer-

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ica's defensible defense needs the candidates spent most of the campaign trying to preserve pork. President Bush exploited the defense budget for shameless vote-buying, which went well beyond the usual disbursement of previously appropriated monies to contractors. No sooner had the Pentagon decided to close down Homestead Air Force Base in Florida than a hurricane destroyed it. What did the president do? He decided to rebuild it. In the first presidential debate, when Clinton called for reducing the number of troops in Europe by 50,000, Bush turned military service into a form of workfare: "If you throw another 50,000 kids on the street because of cutting recklessly in troop levels," he said, "you're going to put a lot more out of work."

Clinton did no better, endorsing wasteful weapons that even Bush would not buy. Contradictory pronouncements about the need to preserve the defense-industrial base only sowed doubt about Clinton's commitment to change. In his August speech to the Los Angeles World Affairs Council, Clinton acknowledged that "we can't keep every production line and military lab open," and he favored identifying and preserving "the core skills and industries critical for our country's security." Yet in the next breath he painted an expansive picture of the defense-industrial base he would preserve: "We should pursue new technologies with both civilian and defense uses, and we should pursue a strong upgrade program to keep current [production] lines operating and start limited production for next generation equipment." Such pronouncements were nearly enough to make Bush's laissez-faire defense-industrial policy almost attractive.

Overcoming Protectionism at Home and Abroad

AMONG POLITICIANS campaigning in 1992, Bush and Clinton proved less prone than most others, including business and labor leaders, to finger-pointing, foreigner-bashing and protectionism. Bush positioned himself as an unabashed free trader, while his rival embraced a more mercantilist approach. Each cast economic competition from abroad as a challenge to be met, not a threat to be resisted.

Unable to bring himself to say "industrial policy," Clinton used trade issues to shore up his case for a "comprehensive national strategy" to promote economic growth. The phrase necessarily implied substantial state intervention in the econ-

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omy, which could open the way to protectionism. If Clinton's intention is to have politics drive economics, how will he keep his most powerful backers—industry as well as trade unions—from obtaining the protectionist policies they favor? Internationalists worry that Clinton will antagonize America's most formidable trade rivals—Japan and western Europe—and thereby jeopardize the global alliance for democracy they seek. Worse yet, they fear protectionism would spur the formation of antagonistic trading blocs around the globe.

Bush's free-trade ideology sidestepped many difficult issues—wishing them away—but Clinton's hands-on approach will force tough choices. Clinton's strategy calls for raising the skills of the American work force (especially on the shop floor), stimulating corporate investment and innovation, controlling costs by promoting efficiency in health care and energy use and encouraging greater productivity and high value-added exports. Yet that plan could be threatened if Clinton allows workers' pay and safety to erode or the environment to decline in the name of free trade. It could also be undermined if he yields to protectionist pressures.

The constituencies for Clinton's national economic strategy have yet to coalesce—in some cases they do not exist. In order to mobilize them, Clinton will sooner or later have to antagonize those well-organized and well-financed domestic interests favoring protectionism. If he wants an open global market, not a world of closed blocs, Clinton will need to challenge the protectionism of America's closest allies as well. Unfortunately the United States is in a weaker position to do so today than at any time in the past four decades: U.S. military might is a wasting asset (given its allies' reduced insecurity); and America's economic leverage—threatening to restrict access to its huge domestic market—could prove troublesome in a prolonged global recession.

"The constituencies for Clinton's national economic strategy have yet to coalesce—in some cases they do not exist."

Clinton split the difference and delayed addressing the rift between internationalists and protectionists in the debate over NAFTA. His endorsement appealed to internationalists, but he also insisted on negotiating supplemental agreements that would establish an Environ-

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mental Protection Commission "with substantial powers and resources to prevent and clean up water pollution," set up a second commission on labor standards and safety, and ensure better enforcement of existing laws on environmental protection and worker standards.

Such qualifications heartened protectionists seeking to block the agreement. Moreover Clinton did not reassure internationalists with his characterization of NAFTA as a hedge against the rise of rival regional trading blocs: "While we don't know what will happen to these other regional trading blocs we know enough to know that we need stronger ties to our neighbors, both for the positive opportunity and to protect us in the event that other countries become more protectionist."[3]

The primacy Clinton gives to economic relations implies that a strong European Community is detrimental to America insofar as it closes off markets and enables European firms to become stronger competitors. But to internationalists a cohesive EC has always implied a secure Europe. Today the desire to ward off a renewal of antagonism on the continent means more than reconciling the rest of Europe to a unified Germany; it means a looser community open to the newly liberated states to the east.

The unraveling of Europe is a cause for profound concern. In a Europe held between the superpowers, integration in the west proceeded apace and disintegration in the east was held in check. With the end of the Cold War it is no longer clear whether Europe is coming together or apart. The west European response to disintegration in the east, especially to Yugoslavia, has exposed divergence of views about foreign and security policy. Further, Bonn's hesitation to tax western Germany for the sake of its east, and the Bundesbank's reluctance to ease interest rates revealed a lack of community in Europe over economic policy as well.

The primacy of economics could also lead to trouble with Japan. In the face of the Soviet threat the United States was prepared to sacrifice its economic interests to spur Japan's recovery and later to demand that Japan reciprocate. Today the United States cannot expect Japan to make such sacrifices for U.S. economic well-being. Nor can it invoke the rhetoric of burden-sharing. Japan is already absorbing nearly the full

[3]Speech at North Carolina State University, Raleigh, Oct. 4, 1992.

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costs of maintaining the U.S. military and naval presence. Asking Japan to pay the salaries of U.S. personnel would turn American troops into mercenaries. And asking Japan to build up its own forces would add to regional insecurity.

These issues are especially worrisome. Japan and America had long suppressed their economic conflicts for the sake of security cooperation and may now lack the domestic leeway to continue doing so. Moreover, now that the American presence has lost its manifest purpose of deterring the Soviets, there is at least some reason to doubt whether its latent purpose—reassuring Japan and its neighbors—can withstand scrutiny.

It will not be easy for President Clinton to square the primacy of economics with increased security.

Preparing Now for Change

ONLY IN foreign affairs did the Clinton campaign subscribe to the political wisdom that it is too risky for a candidate to seek a mandate for major change and to prepare the American people for the unexpected. In domestic policy Clinton's major theme—"the courage to change"—served as both a signal and a warning of a dramatic break with the past.

But to get domestic policy right, Clinton will have to get foreign and defense policy right. He must make clear the links among all these. That means preparing the American people now for the enormous change to come and guarding himself and his party against adverse consequences from abroad. Candidate Clinton passed up the opportunity to demonstrate the impact foreign affairs will have on the future of America's defense industry and economy. He will need to prepare the American people in the interregnum and the early days of his administration. A failure to do so could short-change domestic needs and make them hostage to international disturbances, sowing disillusionment with the Democratic president's agenda and the two-party system itself.

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THE 100-DAY ECONOMIC AGENDA

Jeffrey E. Garten

Must Deliver Tough Message Quickly

"MY FIRST foreign policy priority," said Bill Clinton, "will be to restore America's economic vitality." In recognizing the inescapable link between economic strength at home and influence abroad the president-elect may not only improve the lives of millions of Americans but help many nations abroad that are counting on renewed and confident leadership from Washington. The task is far more complicated and difficult than Clinton has made it out to be. First, the president-elect has not prepared the nation for the sacrifices that lie ahead if America's trajectory is to turn upward. Second, he has yet to explain the complex obstacles to restarting the American economy in the face of a recession in Japan and Europe. Third, he has yet to confront the delicate problem of pleasing powerful international financial markets, which are all too ready to unleash their fury at the administration's first fiscal misstep.

Now that the election is over, however, the new president will have to move extremely quickly to deliver the tough message and to make a series of agonizing decisions. In the CNN age, when indelible impressions are instantaneously formed around the world, and when Wall Street and its foreign counterparts can bring policymakers to their knees overnight, Clinton's first 100 days are not just an opportunity to unfold a new agenda. Rather they just as equally present a minefield that could blow up and damage his administration for the next four years.

Clinton's immediate priorities should be both offensive and defensive, and defined in terms that are crystal clear: to attack the cancerous budget deficit and simultaneously calm the financial markets, and to work with Japan and Germany on a

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Jeffrey E. Garten is senior adviser to The Blackstone Group and teaches international finance and economics at the Columbia Graduate School of Business. He is author of *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy.*

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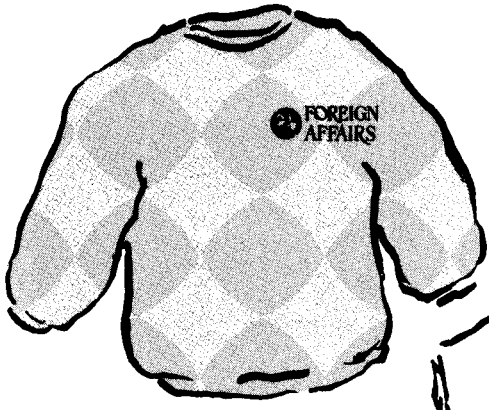

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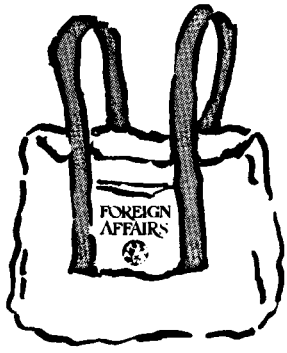

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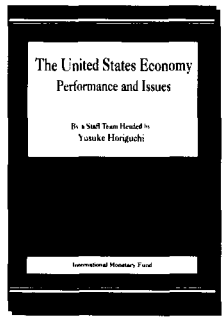

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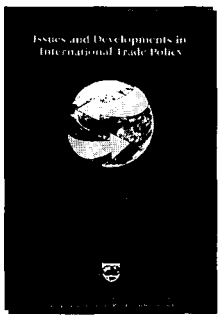

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global growth package that includes economic stimulus, trade promotion and currency stability.

How Will Programs Be Financed?

IN HIS HUNDREDS of position papers and substantive speeches Clinton has painted a picture of an America not only mired in recession but faltering for almost two decades in its ability to generate decent jobs. It is a picture not just of current pain but of anxieties about the future. To reverse this vision of America the president-elect has identified several critical requirements, foremost of which is the need for new policies to enhance America's economic competitiveness.

One key element of his proposed program has been a focus on public investments, one emphasizing training and education of the work force and such infrastructure improvements as modernization of the national communications system. Another central part of Clinton's vision is a revamping of America's health care system, which he relates not just to concerns about basic fairness but to the morale and confidence of the work force, and hence to competitiveness as well. Taken together these are superb ideas that, if successfully carried out, will put America in a very strong position at home and abroad by decade's end.

But big questions remain unanswered. At a time when America's public budgets are under so much strain, how will his new programs be financed? Further, given the stagnant state of the American economy and soaring budget deficits, what will be the immediate priorities: new investments or a convincing policy of fiscal restraint? And finally, where do the conditions and policies of Japan, Germany and other nations with which we have become so interdependent fit into an American strategy?

The Credibility Factor

CLINTON HAS SAID that he would finance his public investment program by increasing taxes on wealthy Americans, tightening up on taxes paid by foreign corporations, reducing defense expenditures and eliminating fraud and waste in government. He has emphasized cost containment as a major funding source for his health care proposals. These policies, he has claimed, would result in a reduction in

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the annual federal deficit from the current $290 billion to $140 billion by 1996.

Many have said that this package lacks credibility and, unfortunately, they are right. The central problem has been Clinton's inability or unwillingness to explain how severe the deficit problem is to America's future—how such enormous mismanagement of the country's past will impact directly on so much of its future, not for just the next few years but the next few generations. He has not explained how the $3 trillion federal debt resulting from a decade of whopping deficits is distorting the financial markets, undermining the investment and lending climate, and how far-reaching and painful new measures will need to be to restore some sanity to federal finances. In this context the polite thing to say is that Clinton has not been a budget hawk. But hopefully the truth is that he is not way off track in his understanding of the problem.

"Controlling health care costs will be a difficult political experiment, which at best will take years to work."

In the governor's plan, for example, most deficit reduction would come not from Clinton's programs themselves, but from forces allegedly in place, such as eventual elimination of the savings-and-loan bailout program. Clinton's calculations rely on a rosy picture for economic expansion—one that recalls the misleading grow-our-way-out scenarios of Reaganomics. This Pollyannish perspective surely underestimates the negative impact of a continuation of corporate layoffs, especially in the defense-industrial sector, and the deteriorating climate in the economies of several of America's critical trading partners.

It also fails to acknowledge that the proposed public investments of a Clinton administration, such as increased funding for worker training, will take years to bear fruit. In addition the president-elect may be vastly overestimating the amount of taxes that can be wrung out of households with incomes over $200,000. And his projection of some $40 billion in tax collections from foreign companies seems wildly exaggerated (the I.R.S., for example, estimated that enhanced collection would yield closer to $13 billion). Finally, focus on attacking pork-barrel inefficiencies in the public sector is an obligatory

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pledge but unlikely to make a significant dent in the way Washington has operated for two centuries. Controlling health care costs will be a difficult political experiment, which at best will take years to work.

If Clinton had been soft on fiscal restraint during the campaign, he may well be tempted now to postpone tough budget-balancing measures in favor of an immediate stimulus to the economy. This would be a big mistake. In so doing he would be risking a swift and adverse market reaction that could raise long-term interest rates, undercut a future recovery and jeopardize the president-elect's credibility. Once again the long-term future would be sacrificed to short-term gain—déjà vu all over again.

It must also be said that the foreign dimension of an American recovery program is so integral that it is misleading to label it "foreign." American economic expansion, as well as the generation of high-wage jobs, is now heavily tied to exports; yet the trade deficit is widening again and the once tremendous growth in American sales abroad has been slowing dramatically in recent months. America will need foreign capital to grow, yet the credit pumps of Tokyo and Frankfurt are either broken or pointed at domestic needs. Interest rates, on which so much of our future now hangs, are determined not only by forces on Wall Street but by pressures from around the globe, and the fate of the dollar remains precariously linked to investor sentiment outside of America. Clinton has said little about how he would deal with these interrelationships. But if they are relegated to second-class priorities, the American recovery program cannot work.

Before Inauguration Day

THE CLINTON TEAM is acutely aware of these dilemmas, and there is an extensive debate among his aides as to what to do. The time for decision is now, however, not at the January 20 inaugural. The financial markets will not wait, and Chancellor Helmut Kohl, Prime Minister Kiichi Miyazawa and other leaders will not postpone domestic decisions that affect Americans.

No budgetary choices can escape controversy. But there is one course that the new president must follow firmly and unambiguously: he must emerge as a tough fiscal conservative right away. He must brave the headwinds of a democratic

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Congress that will be anxious to present its own package of new spending programs. He must face the country and explain that unless he takes serious action now to deal with the runaway budget, America will face severe problems, including a potential financial crisis that would drive up interest rates or cause the dollar to collapse.

". . . he must emerge as a tough fiscal conservative right away."

Since Clinton did not lay the groundwork for painful policies, and since he has won no explicit mandate for such dramatic action, many who voted for him will be outraged at this turn of direction. We know from the campaign, however, that he can withstand tremendous heat. Moreover, the tough message need not be a betrayal of his commitment to rebuild the American economy, only a means for preparing the essential groundwork. Clinton has several one-time advantages: a failed economy not of his making; a honeymoon period to get tough measures enacted; and even the luxury of a year or so of continued slow economic growth before his term is jeopardized. This, then, is the time for courage, not for popularity-gaining measures that will surely backfire within a year or two, or sooner.

Before January, therefore, Clinton should call for a combination of spending caps and cuts, and tax increases—the only realistic approach to the deficit. He should call for a freeze on total spending outside of entitlements and interest on the national debt, and force any new programs to come at the expense of existing ones. He should be much bolder than he has been on reducing defense spending, including enacting sweeping proposals to eliminate overlap in the three military services. He should ask for a cap on entitlement programs. He should propose taxes on high-income families receiving social security. Finally, he should call for a tax on gasoline consumption—perhaps as a carbon/environment tax—which would take hold as the economy recovers.

The issue is not whether Clinton tries to impose discipline on government finances; it is whether he takes the initiative or whether he relinquishes that chore to thousands of young, impressionable bond and currency traders who are watching their computer screens, swapping rumors and making snap

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judgments as to whether America has turned the corner or merely embarked on a new spending frenzy.

Because the economy is still in a slump, many will worry that a tough fiscal policy will turn the recession into something much worse. Even some fiscal conservatives are now proposing that Clinton announce a two-part program consisting of immediate stimulus linked to longer-term budget cutting measures that would come into effect in 1994 or when the economy regains momentum. This is a typical Washington solution, because it sounds sensible and has something for everyone. But it amounts to passing the buck yet again.

"Worries about too much fiscal tightening in 1993 are misplaced."

Worries about too much fiscal tightening in 1993 are misplaced. Given the history of budget politics there is no possibility that all the measures suggested above would be enacted in less than a year; in fact, the Clinton administration would be lucky to see the bare outlines of a package make it through Capitol Hill at all. However, unless Clinton stakes out an extremely tough position now, there is no chance of even half a loaf after 1993. This is all the more true if fiscal restraint is embodied in legislation such that it will "come later"—a sure-fire sign that it is unlikely to come at all. Second, the helpful impact of low long-term interest rates—which the bond markets will likely deliver if Clinton is fiscally tough—should not be underestimated. This is a stimulus, after all, one that will put money to work in factories, technology, roads and ports, and that will reinforce Clinton's admirable determination to change the real course of America.

To produce new jobs right away, the new administration's best bet will be to give a massive boost to small businesses and to new start-ups—the sector that has become the major engine for job creation in America. In the 1980s new firms accounted for some 66 percent of the 19 million new jobs created. Today they are more important than ever, given that the big companies continue to shed jobs or move to countries with cheaper labor. Clinton is not unaware of the importance of small firms and has already made some proposals for targeted capital-gains relief. But these have been buried in a welter of other initiatives.

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What Clinton needs to do now is to announce that stimulating small businesses is one of his most immediate priorities. Aside from proposing tax breaks, he should consider special incentives for banks to extend credit to small business and a significant reduction in regulatory red tape. An overwhelming amount of America's exports derive from a few big companies, with less than ten percent of small firms doing any exporting at all. The new administration has an opportunity, with the dollar cheap and with export consciousness rising in the nation, to help smaller companies mount a massive selling effort abroad by providing market intelligence and trade-financing facilities. It is also critically important to ensure that small businesses are not weighed down by new taxes for health care, nor should they be hamstrung by new environmental regulations.

Another way to create a pro-growth environment would be bold moves on the trade policy front. The immediate opportunity is the proposed North American Free Trade Agreement (NAFTA). With exports to Mexico soaring, with the emergence of a $6 trillion North American economy of 360 million consumers, the aggressive pursuit of commercial opportunities on our own continent is essential. The Clinton team should move quickly to get the agreement ratified. The new president has endorsed the treaty with some reservations about the need for additional legislation for retraining and environmental protection. These concerns, however, require action in Congress, not renegotiation of the treaty.

Clinton should use the push for NAFTA as a ringing endorsement of America's belief in an open trading system—where Washington's focus will be on expanding markets abroad, rather than protecting them at home. At the same time he has the opportunity to show he is absolutely serious about the retraining question, not just for people immediately displaced by imports or by the movement of firms abroad, but also those hurt by rapid technological change generally. There is no free lunch, however, and the funds to finance training programs will have to come at the expense of other existing programs, most likely the defense budget.

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Remedies Require Global Context

BEYOND NAFTA, the new administration's international economic agenda is pressing. While Clinton's campaign rhetoric included repeated reference to "meeting the challenges of the world economy," its underlying theme was always that the fundamental challenges lay at home, not abroad. The inference was not just that America's major priority was to get its own house in order—which is dead right—but that this was all America needed to do and that it could do it as if the rest of the world did not count—which is dead wrong. The fact is, interdependence of the domestic and international economy now runs so deep that old notions of economic policy have to be revisited by the incoming team.

The intricate relationship between America and the world economy has been growing exponentially for the last two decades. The simple kinds of interdependence are well known: the growth of exports and imports and related job creation and dislocation; the mushrooming of foreign investment in America, not just in plant and real estate but also in the stock and bond markets; the expansion of the roles of foreign banks from New York to Los Angeles; the renewed explosion of immigration; the increasing dependence on foreign oil. But it is worth focusing on two of these linkages to better understand the importance that the president-elect must simultaneously accord to both domestic and foreign economic policy as part of his immediate agenda.

Start with exports. If the American growth machine has three pistons—federal spending, easing of interest rates and expansion of exports—given fiscal pressures and the rock-bottom cost of money today, only trade has much potential now. Exports, in fact, have accounted for most U.S. GNP growth in the past few years, and the recession would have been far more devastating if American sales abroad had not been soaring. Today some 14 million workers owe their jobs to exports, and since 1984 virtually all the increase in the U.S. manufacturing sector can be attributed to sales abroad. But in order for this performance to improve—and, indeed, simply for it to continue—markets abroad will have to expand, particularly in Europe and Japan where trends are moving precisely in the opposite

". . . only trade has much potential now."

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direction. Growth abroad is crucial to the United States for another reason: if an American recovery does get off the ground, and if the United States is the only major industrial nation with significant growth, it will draw in everyone else's imports as happened in the mid-1980s. Once again the deficit will soar, more jobs will be lost, more industries wiped out.

The financial markets constitute a second arena where Clinton must be acutely conscious of the domestic-international relationships. We all saw how these markets humbled Britain and Italy in September when they judged that the policies of London and Rome were not sustainable. Behind these dramatic events were investors and speculators in every corner of the globe who typically churn $1 trillion of foreign-currency exchange every day. That is about three months' worth of activity on the New York Stock Exchange, or the equivalent of the total foreign-currency reserves held by all central banks. Since only about 20 percent of this foreign exchange activity is related to financing trade, some $800 billion is loose and hot—and available to provide a daily referendum on any nation's policies, including America's. Thumbs up means interest rates stay reasonable and the dollar stays strong. Thumbs down . . . .

The point is this: the new team will have to think about domestic policies in a truly global context. It will have to recognize that America cannot solve its problems in the face of policies in Europe and Japan that are not moving in sync with ours. It will have to find new ways to bring domestic and foreign considerations together, not just as an intellectual exercise but in practice and in ways that are understood by the American public. All this will constitute a sea change in economic and foreign policy.

Consult with Japan and Germany

CLINTON'S FOREIGN economic agenda should have several immediate components. He should begin by sending emissaries to meet with government officials in Bonn and Tokyo, including their top central bankers. The trip should be mounted before Christmas, and such meetings should occur several times during the first few months. The purpose would be to explain the administration's thinking on fiscal and monetary policy, its efforts to jump start the economy through the entrepreneurial sector and its longer-term

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vision for the United States. These sessions would help build understanding, goodwill and all-important personal relationships. This is particularly important for a new team led by a president whose views on so many global issues, including trade and the dollar, are not well known and who comes from a party that has been out of power for 12 years.

A second purpose of an early trip by his key foreign economic policy aides would be to agree on at least a short-term strategy to support the dollar should major currency problems arise in the early days of the new administration. No one can predict when or how such a crisis could occur, but the fragility of the American economy, together with the relative inexperience of a new administration, makes precaution advisable. Moreover, if recent months are any indication, the habit of timely currency coordination is very rusty, at best.

A third purpose is to listen to foreign concerns. On this score Clinton's emissaries are likely to get an earful that could very well influence their own approach to reinvigorating the American economy. Both Japan and Germany will express deep concerns about the inability of America to reduce spending, and they will press the new administration to take steps well beyond what was mentioned in the campaign to address the budget deficit. Both nations are sure to protest the increasingly unilateral nature of American trade policy—especially its constant resort to anti-dumping laws, which are made so easy to apply under the 1988 legislation, and the increasing use of retaliatory measures taken without multilateral approval under international trade law. They are sure, as well, to point to a slew of new trade measures that the new Congress will be anxious to unveil.

Another subject of great concern will be Clinton's plan to increase taxes on American subsidiaries of foreign companies. His ideas on the matter are important not just for their specifics but also for what they say about the new administration's understanding about the worldwide competition for global capital flows. Bonn is already on record as saying that it would retaliate against German subsidiaries of American firms. Surely other capitals would follow suit. The president-elect should rethink his policies on this front.

In addition the Clinton team will get a picture of Japan and Germany starkly different from what it would have been just a few years ago. In the late 1980s, for example, Japan's economic trajectory was straight up, but today it faces a massive

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crisis in its financial system, with fallout for industry and politics. In Germany the financial, political and psychological costs of unification continue to mount, with implications for every aspect of German policy. Both countries are looking inward and are almost totally preoccupied with political developments in their respective backyards.

Germany in particular, but Japan too, see America's lack of discipline with increasing disdain—an attitude hard to quantify but becoming more noticeable in both countries. Neither nation is any longer willing to jump just because the United States says so; rather, Washington will have to offer significant quid pro quos to persuade each to change current policies. At the same time, however, Clinton's representatives will likely find their foreign counterparts quietly yearning for a resurgence of American confidence and leadership. The fact is, neither Tokyo nor Bonn has the capabilities to provide the global stewardship, nor do they have the aspirations. Hearing and seeing all this firsthand is essential for a new team trying to figure out how to succeed in foreign economic diplomacy in the post-Cold War world.

Coordinate Growth Plans

THE MISSION to Tokyo and Bonn should also propose an early summit of the Group of Seven leading industrial nations, one which would be moved up from its usual June/July scheduling and be held within the first 100 days of the new administration. The summit would have three agenda items: a global growth package, the conclusion of the stalled Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and the announcement of a currency coordination plan.

On economic growth there is a crying need for coordinated stimulation by America, Germany and Japan. Tokyo's August 1992 announcement for vastly enhanced public spending was a start. So were the Bundesbank's recent modest easings of interest rates. In both cases, however, more will have to be done, and the imperative is to coordinate national measures rather than having them dribble out ad hoc. That at least would reduce the necessary extent of adjustment in each country and give the right signal to the markets about political resolve among the countries governing the global economy.

Washington's contribution to a growth package would be

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twofold: a new fiscal policy that encourages the financial markets to bring down long-term rates, and hence encourage new investment; and a major program to revitalize the small business sector in order to boost jobs and growth. To take pressure off spending and inflation, this would require accompanying budgetary measures—particularly cuts in subsidies to industry. It will also necessitate agreement by the labor unions to restrain wage increases. As for Japan, depending on the results of its new public investment program, it may have to accelerate new domestic investments. At a minimum it will have to find a way to deal with the enormous level of bad loans in the banking system. And Tokyo could also make a major contribution to pump-priming abroad, via expanded foreign aid in particular.

The idea of an early summit will not be an easy sell. Japanese, German and other leaders among G-7 governments are weary of American officials storming in and saying, "We're in charge, now let's get organized." They will be highly suspicious of Clinton's priorities on the American economy—as being nothing more than self-serving moves. They could be relentless in demanding that America take some self-correcting policy measures first and, in their own difficult economic situation, they are going to be skeptical about what they themselves will be asked to do. In addition there should be no illusion as to exactly what is entailed here—it is not just coordination of foreign policy but the construction of complex domestic packages compatible with one another. Short of asking governments to send their soldiers into combat, this is the tallest order imaginable.

"The idea of an early summit will not be an easy sell."

While the amount of effort and arm-twisting needed to reorder policies in this way can hardly be overestimated, neither can the importance of succeeding. The economic benefits are crucial to the American recovery. On a diplomatic level it is imperative for the president-elect to try reversing the negative momentum for global cooperation among the big three economic superpowers, so clearly evident in the stalled Uruguay Round, the stalemated Rio Earth Summit and the "nonevent" G-7 summit in Munich. The initiative for something positive and dramatic must come from Washington.

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In this context it is entirely likely that Washington will need to strengthen its case by adding issues of importance to its dealings with Japan and Germany that go beyond fiscal and monetary policy. With respect to Japan, for example, Washington should be prepared to pledge support for Tokyo's strong desire to join the U.N. Security Council as a full member, and also to support the appointment of a Japanese citizen to be the next head of the International Monetary Fund or the World Bank. It should even be willing to combine discussions of what Japan can do for global economic growth with what America can do for Japan's growing security concerns in Asia—that is, with pledges about the continued presence of U.S. forces in the region.

Regarding Germany the trade-offs are no less important or potentially dramatic. Bonn, too, wants a seat on the Security Council and needs U.S. support. But more central to German concerns now is the unraveling of eastern Europe and the former Soviet Union, with the specter of economic chaos, more Chernobyls, more ethnic and regional warfare and, most immediately, streams of refugees coming west. It is of course unrealistic to believe that America has the capability to handle these problems on its own, but the response from Washington to date has been pitiful. A far-reaching American effort in concert with Europe and Japan could make a huge difference. It would be a powerful incentive for Germany to meet the United States halfway on economic matters if President Clinton pledged to take a highly active role in helping Bonn confront these Cold War legacies. This should include more pressure for assistance from international financial institutions such as the World Bank; country-by-country reviews of debt relief possibilities; technical assistance; temporary trade concessions to speed economic development; encouragement of American private sector investment; and the appointment of a senior Clinton aide to oversee U.S. efforts. There are at least two areas, moreover, where Washington appears to be at odds with Bonn over where compromises should be reached: assistance to east European nations to shore up the safety of their old nuclear reactors, and agreement on the policy direction of the European Bank for Reconstruction and Development.

Concerning Russia, the once vaunted $24 billion aid package announced jointly by President Bush and Chancellor Kohl earlier this year has entered the Bermuda Triangle of international initiatives. President-elect Clinton should offer to help

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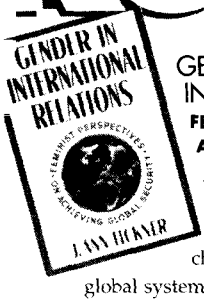

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reignite the West's efforts, including immediate measures to guard against a tragedy this winter with regard to food and heating oil shortages. The logistics of providing such relief are well within the capability of the major Western powers and Japan. Why not an effort with Desert Storm intensity?

Trade policy is also a critical summit item. Here the main event will be the Uruguay Round. If President Bush has been successful in breaking the agricultural logjam before he leaves office, Clinton will have immediate challenges on both the domestic and international fronts. At home he must fashion legislation to implement the new treaty—legislation that will force both the administration and Congress to wrestle with every aspect of U.S. trade, from sugar quotas to the executive branch's organization for America's trade policy, to provisions for retaliating against foreign countries deemed to be acting unfairly.

To the United States and the world, however, the president-elect's ability to shape this legislation and to articulate a vision of the post-Uruguay Round trading order will be among the most fundamental statements about the Clinton era that can be made. At home and abroad people will be looking for clues to several questions. Here is how Clinton should answer them:

Is America more interested in moving bilaterally or multilaterally when it comes to new trade accords? Answer: its priority is in establishing multilateral rules for trade liberalization, to which bilateral agreements should conform.

Does America intend to maintain the right to unilaterally retaliate against other nations without first submitting its claim to the GATT? Answer: America will go to the GATT if that trade body's procedures are tightened up so that Washington can move very quickly in having its claim addressed.

What is the future of the GATT as an organization? Answer: America would like to see it turned from a weak and ineffectual bureaucracy into an organization with real enforcement powers, and one that also covers investment disputes—along the lines of the International Trade Organization first proposed after World War II.

What exactly will be the core of America's new industrial policy? Answer: the heart of the policy will be upgrading the work force, the nation's infrastructure and the export performance of small- and medium-sized businesses. But the United States is not going to allow its high-technology industries to be obliterated by foreign companies that are subsidized by their

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governments, or by companies whose home countries do not provide reciprocal access to American firms, both with regard to their exports and to their ability to make direct foreign investments.

There is no assurance, however, that the Uruguay impasse will be broken by inauguration day. There is even a chance that trade tensions will have increased. In this event President-elect Clinton should cut a deal on agriculture with the European Community, however imperfect, and bring the negotiations to an end. For the new team the imperative is to be able to move ahead on trade with new momentum and not be dragged down by the old problems. In addition, if there is a good time for Clinton to fight the farm lobby, it is at the beginning of his term. Most important, America has critical interests in the rest of the negotiations, which deal with rules for financial services, foreign investment and copyright and patent laws. If there is a need to conclude the talks with a major compromise, Congress will not be happy. But the pitch to Capitol Hill would go this way: "The Uruguay Round began at a time when the world looked much different. We need to get it behind us now so that we can get on with the post-Cold War agenda. The compromises are the best we can do, and on balance, our overall interests are served by going forward." A Democratic president facing a Congress controlled by his own party should be able to pull it off.

". . . if there is a good time for Clinton to fight the farm lobby, it is at the beginning of his term."

The third agenda item for the summit is a new monetary pact. The immediate need is to bolster confidence in the dollar. Dollar instability of the kind that has enveloped the greenback this past summer undercuts the confidence of investors everywhere and disrupts global trade. The European monetary crisis of September did the same. But the financial surpluses building in Tokyo could also be destabilizing. It is long past time when the key G-7 governments should have organized themselves to manage currencies within certain ranges of value, via a combination of intervention and changes in domestic monetary policy. An announcement at the summit that they will now embark on such a plan—even if a scheme takes a while longer to work out—will be a powerful signal that

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Washington, Tokyo and Bonn intend to play an active role in working together. This would amount to a dramatic turnaround from the current situation.

Measuring Up

SINCE 1945 the most critical foreign policy agenda items for new administrations related to military security in the Cold War. Clinton's problem is vastly different and, in many ways, far more complex. Gone are the old "we versus they" simplicities that came with an easily identifiable "evil empire." Gone is the easy appeal to flag and country. Gone is the ability to separate national security from the daily pocketbook issues that loom so large in our lives and that affect so many groups in different ways. Indeed the president-elect faces what might be the most difficult challenge that any of his predecessors have encountered since World War II: he must turn around an economically weakened and psychologically demoralized nation and provide international leadership at the same time. The United States—and the rest of the world—has a lot riding on how well America's young, energetic new leader measures up. It should not take too long to find out.

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U.S. FORCES: CHALLENGES AHEAD

Colin L. Powell

Enormous Power, Sobering Responsibility

AMERICA IS a remarkable nation. We are, as Abraham Lincoln told Congress in December 1862, a nation that "cannot escape history" because we are "the last best hope of earth." The president said that his administration and Congress held the "power and . . . responsibility" to ensure that the hope America promised would be fulfilled. Today, 130 years later, Lincoln's America is the sole superpower left on earth.

Often I wonder what Lincoln would think were he here to see us and to marvel at our strength. There are aspects that would make him shudder—the turmoil of our inner cities, our still unresolved racial inequalities, the rising crime and continued drug use—but on balance I believe he would be pleased. Democracy is the most powerful political force at work in the world today. Our values, our persistence, our determination helped bring about this situation. America is not perfect by any means, but the nation does offer its citizens the individual and collective opportunity to strive to be better.

America is still the last best hope of earth, and we still hold the power and bear the responsibility for its remaining so. This is an enormous power and a sobering responsibility, especially since America is no longer alone but is accompanied by a free world growing ever larger and more interconnected.

As chairman of the Joint Chiefs of Staff of the U.S. armed forces, I share the responsibility for America's security. I share it with the president and commander in chief, with the secretary of defense and with the magnificent men and women—volunteers all—of America's armed forces. In truth, we share it also with every citizen of the nation, for that is one of the unique aspects of America; while many other nations constantly lay claim to "peoples' armies," our nation actually has one.

America's armed forces are as much a part of the fabric of

General Colin L. Powell is Chairman of the Joint Chiefs of Staff.

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U.S. values—freedom, democracy, human dignity and the rule of law—as any other institutional, cultural or religious thread. In the past few months all one needed to do to find dramatic evidence of this fact was to visit American soldiers, sailors, airmen, Marines and Coast Guardsmen at work in the devastation of southern Florida, on the island of Kauai, in famine-ravaged Somalia or at any one of a dozen other places around the world. Everywhere their courage, compassion, competence and dedication surpass even an old soldier's fondest hopes of what America's armed forces should be.

These wonderful young men and women of America's armed forces are crucial to the future of the nation and, ultimately, to the future of the world. The reasons are worth pondering.

Obligated to Lead

NO OTHER NATION on earth has the power we possess. More important, no other nation on earth has the trusted power that we possess. We are obligated to lead. If the free world is to harvest the hope and fulfill the promise that our great victory in the Cold War has offered us, America must shoulder the responsibility of its power. The last best hope of earth has no other choice. We must lead.

We cannot lead without our armed forces. Economic power is essential; political and diplomatic skills are needed; the power of our beliefs and our values is fundamental to any success we might achieve; but the presence of our arms to buttress these other elements of our power is as critical to us as the freedom we so adore. Our arms must be second to none.

Today our armed forces are second to none. Ninety-seven percent of our men and women are high school graduates as opposed to 77 percent in the nation at large. Minorities enjoy better opportunities in the military than anywhere else in America. Our young volunteers are the best and the brightest of the wide diversity that makes up America. And anyone who doubts our ability to wage war decisively needs only to look at our recent triumph in the Gulf War.

In 1989, because of dramatic changes looming over the horizon, we began looking at how to restructure these high-quality armed forces without doing harm to their excellence; in fact, we wanted to improve them even further. Only a fortune-teller could have predicted the specific changes that

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occurred—the fall of the Berlin Wall, the demise of the Warsaw Pact, the failed coup in the Soviet Union and the eventual disappearance of that empire. But in the Pentagon we did recognize the unmistakable signs of change—the kind that leaves in history's dust those who cling to the past.

When I was national security adviser to President Ronald Reagan, he and President Mikhail Gorbachev met five times in three years. I was present on three of those occasions. The Soviet leader talked of a peaceful revolution that would return his people to the international community of free nations. He talked of world peace. Gorbachev even sometimes spoke of his own passage from power after he had placed his country on an irreversible course. The more he talked and the more we listened, the more we understood. I recall one meeting where I can best describe my unspoken reaction as, "My God, he is serious!"

Of Gorbachev: "My God, he is serious!"

While President Gorbachev talked, many others listened as well. The Germans and the Poles and the Lithuanians listened. The Czechs and the Slovaks and the Romanians listened. All of eastern and central Europe listened. Then they acted. Communist governments tottered and fell. The Berlin Wall came down. The Warsaw Pact collapsed, a victim of its internal contradictions. Later, the Soviet Union followed the same course, its own internal contradictions having become finally too heavy for its rotten political system to carry.

President Bush saw this historic change. Working together with his advisers, the president and the secretary of defense outlined a new national security strategy. In the Pentagon we took the new national security strategy and built a military strategy to support it. Then, in August 1990, as President Bush made the first public announcement of America's new approach to national security, Saddam Hussein attacked Kuwait. His brutal aggression caused us to implement our new strategy even as we began publicizing it. Every American was able to see our strategy validated in war.

Today there are other Saddam Husseins in the world. There is one in North Korea, and there is the original still in the Middle East—and no reason to believe his successor would be any different. Moreover, the instability and uncertainty that always accompany the fall of empires are growing rather than

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diminishing. In the Pentagon we believe our military strategy fits the world we see developing like a tight leather glove.

In the fall of 1992 we are fine-tuning that strategy, restructuring our armed forces so that they are ideally suited to executing it, and proposing a much-reduced multiyear defense budget to pay for it all.

Regional Rather than Global Conflict

THE NEW NATIONAL military strategy is an unclassified document. Anyone can read it. It is short, to the point and unambiguous. The central idea in the strategy is the change from a focus on global war-fighting to a focus on regional contingencies. No communist hordes threaten western Europe today and, by extension, the rest of the free world. So our new strategy emphasizes being able to deal with individual crises without their escalating to global or thermonuclear war.

Two and a half years ago, as we developed the new strategy, we saw the possibility of a major regional conflict in the Persian Gulf—and it turned out we were right—and a major regional conflict in the Pacific, perhaps on the Korean peninsula, where the Cold War lingers on. We knew then, and we know now, that prudent planning requires that we be able to deal simultaneously with two major crises of this type, however unlikely that might be. In our judgment, the best way to make sure their coincidence remained unlikely was to be ready to react to both, so that if we were involved in one, no one would tempt us into the other.

Moreover we can see more clearly today that danger has not disappeared from the world. All along the southeastern and southern borders of the old Soviet empire, from Moldova to Tajikistan, smoldering disputes and ethnic hatreds disrupt our post-Cold War reverie. In the Balkans such hatreds and centuries-old antagonisms have burst forth into a heart-wrenching civil war. The scenes from Sarajevo defy our idea of justice and human rights and give new meaning to the word "senseless." In Somalia, relief operations are underway amid the chaos and anarchy of another civil war that wracks our idea of justice, human rights and the rule of law. Ruthless warlords make money from donated food and medical supplies. Relief

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workers are threatened if they do not comply with a local dictator's whims.

We cannot tell where or when the next crisis will appear that will demand the use of our troops. But we can say that in the last three years, our troops have acted in the Philippines (twice), Panama (three times), El Salvador, Liberia, Iraq (three times), Somalia (twice), Bangladesh, Zaire, Cuba, the former Soviet Union, Angola and Yugoslavia. We could also mention our troops' involvement in U.N. actions from western Sahara, Cambodia and Bosnia-Herzegovina, and in disaster relief actions in our own territory from southern Florida to Guam. Truly it has been a busy season for America's men and women in uniform.

"It is in the category of the use of 'violent' force that views begin to differ."

These crises have spanned the range of extremes. They have included humanitarian actions in response to natural disasters and emergency evacuation of American citizens from war zones. They have included the use of very limited force and the use of massive force. For example, a pair of Phantom fighter jets was all that was needed in the Philippines in December 1989; while 540,000 troops and a large part of our arsenal were needed in the Persian Gulf in 1990–91. To deal with such a wide range of possibilities, our armed forces must be capable of accomplishing a wide range of missions.

Future Missions and Clear Objectives

WHAT SORTS OF missions can we envision? I believe peacekeeping and humanitarian operations are a given. Likewise our forward presence is a given—to signal our commitment to our allies and to give second thoughts to any disturber of peace. It is in the category of the use of "violent" force that views begin to differ.

Occasionally these differences in view have been categorized quite starkly as the "limited war" school and the "all-out war" school. For the man or woman in combat, however, such academic niceties are moot. I am reminded of the famous Bill Mauldin cartoon that shows two GIs—Willie and Joe—flat on the ground while machine-gun tracers lick overhead and exploding artillery rounds light up the night sky. Joe says to

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Willie, "I can't git no lower, Willie. Me buttons is in th' way." But while such distinctions as limited and all-out war mean little to a soldier who is clutching the ground while bullets whiz by his ears, they do serve to illuminate our debate.

All wars are limited. As Carl von Clausewitz was careful to point out, there has never been a state of absolute war. Such a state would mean total annihilation. The Athenians at Melos, Attila the Hun, Tamerlane, the Romans salting the fields of the Carthaginians may have come close, but even their incredible ruthlessness gave way to pragmatism before a state of absolute war was achieved.

Wars are limited by three means: by the territory on which they are fought (as in Korea or Vietnam); by the means used to fight them (no nuclear weapons in Korea; no massive mobilization for Vietnam); or by the objectives for which they are fought—the most significant limitation in political terms and therefore the limitation that is most often discussed and debated.

Objectives for which we use "violent" force can range from hurting an enemy enough so that he or she ceases to do the thing that is endangering our interests (air strikes against Libya in 1986 to prevent further Libyan-sponsored terrorism), to unseating the enemy's government and altering fundamentally his or her way of life (World War II).

The Gulf War was a limited-objective war. If it had not been, we would be ruling Baghdad today—at unpardonable expense in terms of money, lives lost and ruined regional relationships. The Gulf War was also a limited-means war—we did not use every means at our disposal to eject the Iraqi Army from Kuwait. But we did use overwhelming force quickly and decisively. This, I believe, is why some have characterized that war as an "all-out" war. It was strictly speaking no such thing.

". . . having a fixed set of rules for how you will go to war is like saying you are always going to use the elevator in the event of fire in your apartment building."

To help with the complex issue of the use of "violent" force, some have turned to a set of principles or a when-to-go-to-war doctrine. "Follow these directions and you can't go wrong." There is, however, no fixed set of rules for the use of

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military force. To set one up is dangerous. First, it destroys the ambiguity we might want to exist in our enemy's mind regarding our intentions. Unless part of our strategy is to destroy that ambiguity, it is usually helpful to keep it intact.

Second, having a fixed set of rules for how you will go to war is like saying you are always going to use the elevator in the event of fire in your apartment building. Surely enough, when the fire comes the elevator will be engulfed in flames or, worse, it will look good when you get in it only to fill with smoke and flames and crash a few minutes later. But do you stay in your apartment and burn to death because your plan calls for using the elevator to escape and the elevator is untenable? No, you run to the stairs, an outside fire escape or a window. In short, your plans to escape should be governed by the circumstances of the fire when it starts.

When a "fire" starts that might require committing armed forces, we need to evaluate the circumstances. Relevant questions include: Is the political objective we seek to achieve important, clearly defined and understood? Have all other nonviolent policy means failed? Will military force achieve the objective? At what cost? Have the gains and risks been analyzed? How might the situation that we seek to alter, once it is altered by force, develop further and what might be the consequences?

As an example of this logical process, we can examine the assertions of those who have asked why President Bush did not order our forces on to Baghdad after we had driven the Iraqi army out of Kuwait. We must assume that the political objective of such an order would have been capturing Saddam Hussein. Even if Hussein had waited for us to enter Baghdad, and even if we had been able to capture him, what purpose would it have served? And would serving that purpose have been worth the many more casualties that would have occurred? Would it have been worth the inevitable follow-up: major occupation forces in Iraq for years to come and a very expensive and complex American proconsulship in Baghdad? Fortunately for America, reasonable people at the time thought not. They still do.

When the political objective is important, clearly defined and understood, when the risks are acceptable, and when the use of force can be effectively combined with diplomatic and economic policies, then clear and unambiguous objectives must be given to the armed forces. These objectives must be

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firmly linked with the political objectives. We must not, for example, send military forces into a crisis with an unclear mission they cannot accomplish—such as we did when we sent the U.S. Marines into Lebanon in 1983. We inserted those proud warriors into the middle of a five-faction civil war complete with terrorists, hostage-takers and a dozen spies in every camp, and said, "Gentlemen, be a buffer." The results were 241 dead Marines and Navy personnel and a U.S. withdrawal from the troubled area.

When force is used deftly—in smooth coordination with diplomatic and economic policy—bullets may never have to fly. Pulling triggers should always be toward the end of the plan, and when those triggers are pulled all of the sound analysis I have just described should back them up.

Over the past three years the U.S. armed forces have been used repeatedly to defend our interests and to achieve our political objectives. In Panama a dictator was removed from power. In the Philippines the use of limited force helped save a democracy. In Somalia a daring night raid rescued our embassy. In Liberia we rescued stranded international citizens and protected our embassy. In the Persian Gulf a nation was liberated. Moreover we have used our forces for humanitarian relief operations in Iraq, Somalia, Bangladesh, Russia and Bosnia.

All of these operations had one thing in common: they were successful. There have been no Bay of Pigs, failed desert raids, Beirut bombings or Vietnams. Today American troops around the world are protecting the peace in Europe, the Persian Gulf, Korea, Cambodia, the Sinai and western Sahara. They have brought relief to Americans at home here in Florida, Hawaii and Guam. Ironically enough, the American people are getting a solid return on their defense investment even as from all corners of the nation come shouts for imprudent reductions that would gut their armed forces.

The reason for our success is that in every instance we have carefully matched the use of military force to our political objectives. We owe it to the men and women who go in harm's way to make sure that this is always the case and that their lives are not squandered for unclear purposes.

Military men and women recognize more than most people that not every situation will be crystal clear. We can and do operate in murky, unpredictable circumstances. But we also recognize that military force is not always the right answer. If

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force is used imprecisely or out of frustration rather than clear analysis, the situation can be made worse.

Decisive means and results are always to be preferred, even if they are not always possible. We should always be skeptical when so-called experts suggest that all a particular crisis calls for is a little surgical bombing or a limited attack. When the "surgery" is over and the desired result is not obtained, a new set of experts then comes forward with talk of just a little escalation—more bombs, more men and women, more force. History has not been kind to this approach to war-making. In fact this approach has been tragic—both for the men and women who are called upon to implement it and for the nation. This is not to argue that the use of force is restricted to only those occasions where the victory of American arms will be resounding, swift and overwhelming. It is simply to argue that the use of force should be restricted to occasions where it can do some good and where the good will outweigh the loss of lives and other costs that will surely ensue. Wars kill people. That is what makes them different from all other forms of human enterprise.

When President Lincoln gave his second inaugural address he compared the Civil War to the scourge of God, visited upon the nation to compensate for what the nation had visited upon its slaves. Lincoln perceived war correctly. It is the scourge of God. We should be very careful how we use it. When we do use it, we should not be equivocal: we should win and win decisively. If our objective is something short of winning—as in our air strikes into Libya in 1986—we should see our objective clearly, then achieve it swiftly and efficiently.

"We must concentrate on the capabilities of our armed forces to meet a host of threats and not on a single threat."

I am preaching to the choir. Every reasonable American deplores the resort to war. We wish it would never come again. If we felt differently, we could lay no claim whatsoever to being the last, best hope of earth. At the same time I believe every American realizes that in the challenging days ahead, our wishes are not likely to be fulfilled. In those circumstances where we must use military force, we have to be ready, willing and able. Where we should not use force we have to be wise

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enough to exercise restraint. I have infinite faith in the American people's ability to sense when and where we should draw the line.

Future Military Structure

BECAUSE OF THE need to accomplish a wide range of missions, our new armed forces will be *capabilities* oriented as well as *threat* oriented. When we were confronted by an all-defining, single, overwhelming threat—the Soviet Union—we could focus on that threat as the yardstick of our strategy, tactics, weapons and budget. The Soviet Union is gone. Replacing it is a world of promise and hope—exemplified by the former Soviets themselves as they struggle mightily to make a transformation that the world has never witnessed before. But the U.S.-Soviet standoff imposed a sort of bipolar lock on the world and, in many ways, held the world together. That lock has been removed. Now tectonic plates shift beneath us, causing instability in a dozen different places.

In a few cases, such as Korea and southwest Asia, we can point to particular threats with some degree of certainty; otherwise, we cannot be exact. Most of us anticipated very few of the more than a dozen crises our armed forces have confronted in the past three years. That will not change. We must be ready to meet whatever threats to our interests may arise. We must concentrate on the capabilities of our armed forces to meet a host of threats and not on a single threat. This is a very different orientation. It is so different that some of us have trouble adapting to it; we are so accustomed to the past. Indeed most of our lives were dedicated to the old way of thinking. But in the Department of Defense I believe we have made great progress in changing to this new emphasis on capabilities as well as threats.

Conceptually we refer to our new capabilities-oriented armed forces as "the Base Force." This concept provides for military forces focused on the Atlantic region, the Pacific region, contingencies in other regions and on continued nuclear deterrence.

Across the Atlantic—in Europe, the Mediterranean and the Middle East—America continues to have vital interests. We belong to the most effective alliance in history, NATO. In light of the changes that have taken place in Europe, NATO has

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revamped its strategic outlook and restructured its forces as dramatically as we have our own.

One of the key features of NATO's changed posture is its new focus on the east. For over forty years NATO underwrote the security and prosperity of western Europe. Now it is time for NATO to underwrite the security and prosperity of the east. This may be the most important post-Cold War task we undertake.

America cannot accomplish this task without active participation in NATO. U.S. ground troops in Europe are still vital. Although far fewer troops will be necessary, now that the Warsaw Pact has dissolved, America needs enough troops to meet its commitments. This "enough" will be debated hotly in the months to come. Proposals range from 75,000 to 150,000. But I believe our political leaders understand that the debate is about the numbers and not the presence.

In 1990 we deployed massive U.S. forces to the Persian Gulf. Using those forces in 1991 we fought an overwhelmingly decisive war. We did this to liberate Kuwait and to strip a regional tyrant of his capacity to wage offensive war and thus destabilize the region. With two-thirds of the world's oil reserves in the region, this action was certainly in our vital interest.

Nothing has changed about the importance of the Middle East. What has changed is that Kuwait is free, oil is flowing and Saddam Hussein threatens no one outside his own borders. A U.S. military presence is crucial to ensuring that this stability continues.

American forces in the Atlantic region—on land and at sea—are part of our conceptual package of Atlantic forces. Also part of that package are forces based in the United States whose orientation is toward the Atlantic; should a crisis in the region demand more forces than we have forward-deployed, these forces would reinforce then as rapidly as possible.

In our Base Force we have provided for the same sort of conceptual force package focused on the Pacific region. There too America continues to have vital interests, our security relationships with Japan and the Republic of Korea being at the top of the list.

We have also provided for what we call a "contingency force package." Troops and units in this conceptual package will be located in the United States and be ready to go at a moment's

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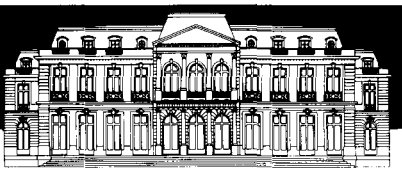

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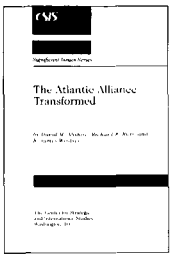

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notice. The time from their alert to their movement will be measured in hours and minutes, not in days.

Finally, we provided for a conceptual package of strategic nuclear forces. Notwithstanding the historic reductions proposed for the world's strategic nuclear stockpile, when and if these reductions are complete, we will still have nuclear weapons in the world. We must continue to deter the use of these weapons against America or its friends and allies. This can only be done with a modern, capable and ready nuclear force. We will rely heavily on the most secure leg of our nuclear triad, the ballistic missile submarines. But we will maintain a resilient and capable triad with forces in the other two legs as well, manned bombers and land-based ballistic missiles.

"In sum, we have released into an already severly challenged job market over 1.6 million people."

Our Base Force is dynamic. There is nothing sacrosanct about its number of tanks, ships or missiles, its structure or its manpower. We can decrease or increase weapons numbers; we can add or delete structure, and we can mobilize manpower—all depending on how our interests evolve and what threats to those interests develop over time. But as we develop our Base Force, we must avoid making two serious mistakes. First, our military must not become "hollow" as it was in the early 1970s. A hollow force has lots of structure—divisions, squadrons, ships—but no trained manpower to fight in them. In other words we pay for weapons, equipment, ships and aircraft with the money we would have used for our people. If we do this, maintaining the high-quality force we now have will be impossible. Second, we must not go too far, too fast. This is the easiest mistake to make and, therefore, the one that troubles me most.

In the last three fiscal years America has already released 431,000 people from active duty and civilian rolls. This has caused a direct loss of 400,000 jobs in related defense industries across the nation. Stunningly it has also cost the loss of almost 800,000 jobs in the nondefense sector. In sum, we have released into an already severely challenged job market over 1.6 million people. Couple this economic cost with the absolute certainty that accelerated reduction rates will destroy the high morale of our armed forces, and it becomes easy to under-

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stand my deep concern. Neither Secretary of Defense Dick Cheney nor I want a future president to turn to the armed forces and discover that they are unready for action. I firmly believe the American people are of the same mind.

If we proceed prudently along the path mapped out by the Department of Defense, we will make neither of these mistakes, we will not become a hollow force and we will not break the force while making worse an already weakened economy. In the exciting but still dangerous days that lie ahead, presidents, Congresses and the American people will be able to count on their armed forces for whatever task they want them to accomplish.

A Fourth Rendezvous with Destiny

TODAY, UNLIKE that December day in 1862 when President Lincoln spoke to Congress, the prospects for America are anything but bleak. It is true we have substantial economic challenges facing us, as well as a burning need to reaffirm some of our basic values and beliefs. But if Lincoln were alive today, I do not believe he would trade December 1992 for December 1862.

I believe Mr. Lincoln would be especially excited by the prospects that now lie before his nation. Only three times in our history have we had a "rendezvous with destiny," as President Franklin D. Roosevelt called our challenge in World War II. The American Revolution was one such historical moment because it gave birth to America. The Civil War was another because it made our revolution complete; it made America what it is today. World War II, as Roosevelt so clearly recognized, and the Cold War that followed—which he could not see—combined to provide us the third such occasion. These two wars cleansed the world of tyrannies bent on hegemony and began the spread of democracy and free markets and, as the Soviet Union finally disappeared, accelerated their spread at a dizzying rate.

The summons to leadership that we face at present is our fourth rendezvous with destiny. Answering this summons does not mean peace, prosperity, justice for all and no more wars in the world—any more than the American Revolution meant all people were free, the Civil War meant an end to racial inequality, or World War II and our great victory in the Cold War meant the triumph of democracy and free markets. What

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our leadership in the world does mean is that these things have a chance. We can have peace. We can continue moving toward greater prosperity for all. We can strive for justice in the world. We can seek to limit the destruction and the casualties of war. We can help enslaved people find their freedom. This is our fourth rendezvous with destiny: to lead the world at a time of immense opportunity—an opportunity never seen in the world before. As Lincoln said in 1862, America could not escape history. In 1992, we must not let history escape us.

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FUELING A COMPETITIVE ECONOMY

Joseph J. Romm
Amory B. Lovins

Profiting from Energy

AMERICA'S ENERGY and economic policies remain tied to Cold War concepts of national security. For nearly fifty years all of America's vast resources were directed toward one purpose: containing the Soviet threat of global communism. But the need for a military-oriented industrial strategy fell with the Berlin Wall; long subordinated economic, energy and environmental concerns have risen to the top of the national agenda. Integrating those elements with a refocused military strategy can create a coherent American approach to national and global security for the post-Cold War world: one that is not costly but profitable, and not centrally planned but market-oriented.

The most fruitful starting point for boosting America's economy and reordering its priorities is energy. Wise energy policy creates both a healthier economy and healthier environment. But energy policy does not work in isolation. Only in combination with farsighted economic, environmental and military policies can it help secure America's global position for the 21st century. Taken together, those interconnected policies constitute a new and comprehensive approach to U.S. security, defined in the broad sense of sustaining and improving the quality of life of Americans.

America remains an enormously wealthy nation. Reordering priorities and redirecting resources would be enough to ensure that a new national strategy does not require higher taxes for the vast majority of Americans. A coherent national approach combining energy, economic and environmental

---

Joseph J. Romm, research scholar at Rocky Mountain Institute, Old Snowmass, Colo., is author of *The Once and Future Superpower: How To Restore America's Economic, Energy, and Environmental Security*. Amory B. Lovins, the Institute's Director of Research, consults widely on energy strategy for utilities, manufacturers and governments. This work was funded by I. G. Ventures and various foundations including Laucks and General Service.

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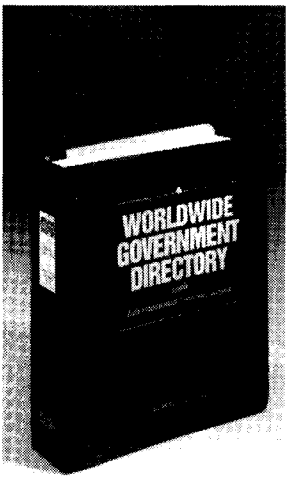

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security creates higher-paying jobs and puts more money in the hands of consumers and businesses. Sensible energy policy reduces the civilian and military costs and the risks of importing foreign oil and frees up huge amounts of domestic capital. Sensible economic policy guides more of that capital, as well as some shifted from military restructuring, toward investments that enhance the nation's long-term competitiveness. The two policies together reduce the costs of unsustainable resource depletion and environmental damage. The result, an "industrial ecosystem," would make America a more efficient and competitive manufacturer.

Harnessing the market to promote resource efficiency is the *first step. Both energy and economic policy must share a* least-cost, resource-efficient emphasis. America's current subsidized supply-side focus exacerbates the causes of energy waste. That energy waste bleeds the economy: oil imports alone have accounted for nearly three-fourths of the U.S. trade deficit since 1970, or $1 trillion transferred to OPEC nations. For decades a persistent and fundamental misunderstanding of energy's role in national security has needlessly distorted energy policies and diminished America's security.

Decouple Supply and Consumption

THE CHEAP AND ABUNDANT resources that underlay America's postwar economic success began to disappear in the 1970s. In the mid-1950s America extracted roughly half the world's oil, twice as much as Middle Eastern and north African states. That surplus vanished by the 1960s, and by 1973 America imported 36 percent of its oil.

After the 1973 oil shock a supply cutoff was seen as a central threat to American security: a cutoff could raise prices and slash living standards; even its threat could give foreign powers leverage over U.S. decision-makers, constricting options in a crisis. Fear of oil-import disruption and foreign dictation led to an unproductive preoccupation with how U.S. military power and the subsidizing of uncompetitive domestic sources might ensure "stable supplies" to feed a national oil addiction.

Pursuing energy *supplies* led the nation astray. It embodied the myth that economic vitality requires steadily increasing energy consumption. But people do not want supplies of raw energy, such as kilowatt-hours or barrels of oil. Rather they

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want the services that energy can provide—comfort, illumination, mobility, steel-making. Energy security is better defined as the nation's ability to sustain adequate, reliable energy *services* in ways that maximize economic competitiveness and minimize environmental degradation.

The oil shocks and sharp price hikes of the 1970s led America to pursue two different paths to energy security. The first was nonmilitary and sought to cut oil imports. National and state efforts decontrolled domestic oil prices, created competition in electric generation and promoted energy efficiency and renewable energy sources such as wind and solar energy. That approach, alongside rising world oil prices, worked spectacularly.

"Pursuing energy supplies led the nation astray."

Although official experts said energy consumption (and hence energy supply) must rise in lockstep with economic growth, one of us foresaw long ago in these pages that they could be decoupled.[1] That controversial 1976 prediction underestimated by one-fourth the actual fall in energy use per dollar of GNP. The nation's real GNP grew an average of 2.5 percent a year from 1973 to 1986, but energy use did not grow at all, avoiding an additional $150 billion a year in higher energy bills. From 1979 to 1986 the United States got seven times as much new energy from savings as it did from net expansions of supply, and it received more new supply from renewable energy sources than from nonrenewables, such as oil and gas. By 1982 oil imports accounted for only 28 percent of all U.S. energy consumed, down from 46 percent only five years earlier. By 1985 Persian Gulf imports were one-tenth their 1977 peak.

Yet by degrees America abandoned this successful nonmilitary energy policy. In response to the 1979 Soviet invasion of Afghanistan, President Carter established the Rapid Deployment Force for the Middle East, and subsequently the Reagan administration shifted energy policy almost entirely toward a military orientation. Light-vehicle efficiency standards were rolled back, appliance standards were stalled and programs to inform U.S. citizens about energy savings were stifled. Federal

[1]A. B. Lovins, "Energy Strategy: The Road Not Taken?" *Foreign Affairs*, Fall 1976, pp. 65–96.

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research and development for energy efficiency was cut 70 percent, for renewables nearly 90 percent. Most federal subsidies to fossil and nuclear fuels, totaling tens of billions of dollars per year, were maintained. Smaller subsidies for efficiency and renewables were eliminated.

These reversals stalled America's once-steady gains in energy efficiency, which by 1986 were saving far more energy each year than the domestic oil industry provided. Those huge savings helped drive an oil price collapse, further discouraging efficiency. America's energy use and oil imports again started climbing. Imports of Persian Gulf oil surged more than sixfold from 1985 to 1989. Yet had the nation simply kept saving oil as fast as in the previous nine years, the United States would not have needed any Persian Gulf oil after 1985. Instead Americans drove 0.56 mile-per-gallon tanks because they did not drive 32 mile-per-gallon cars—which by themselves would have been enough to eliminate gulf imports.

Even before Iraq invaded Kuwait, U.S. forces earmarked for gulf deployment were costing taxpayers around $50 billion a year—nearly $100 per barrel of oil imported from the Persian Gulf. Moreover, since Germany and Japan depend heavily on Persian Gulf oil (without suffering these tremendous annual military costs), America in effect subsidizes the economies of its two major trading competitors.

In the wake of the Gulf War the Bush administration proposed a National Energy Strategy that, by its own projection, would further increase dependence on Middle Eastern oil. Such a policy would diminishe U.S. security in other ways. Emissions of carbon dioxide, the main threat to the earth's climate, would rise 25 percent over the next 25 years. Economically the U.S. annual trade deficit in oil alone would rise to $80 billion (in 1992 dollars) by the year 2000.

That strategy also substituted the Bush administration's favorite technologies for market choices, expanding already lavish subsidies to uneconomic options such as nuclear power and "clean" coal that would squander capital and perpetuate laggard U.S. competitiveness. The response to domestic oil depletion would be to subsidize even faster depletion. The energy sources and links most vulnerable to disruption (such as the trans-Alaska pipeline) were to be expanded and dependence on them prolonged, but Congress demurred on Alaska drilling. The earlier, successful, nonmilitary focus on energy efficiency would continue to languish. Energy use, costs and

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pollution would spiral upwards together, further imperiling national security, the economy and the environment.

Technologies that Transform

THE MISSING LINK is efficiency. Sensible energy policy achieves both greater economic and environmental health at lower costs by wringing far more work from each dollar of energy—as do America's major economic competitors. Germany and Japan use half as much energy per dollar of GNP as does America, mostly because of smarter technologies. Becoming equally efficient could cut almost $200 billion a year from America's energy bills. Even larger savings, perhaps $300 billion a year, are cost-effective. The energy bill passed by Congress in October 1992 does little to capture those savings and almost nothing to save oil. Rather than this continuing lopsided emphasis on bailing out failed supply-side ventures, America must harness market forces to give more efficient, cleaner and cheaper energy options a fair chance to compete, especially in transportation and electricity.

Transportation: This burns nearly two-thirds of U.S. oil; hence efficient transportation technologies and systems are the keys to cutting America's oil dependence. Straightforward technological improvements already in widespread commercial use could make light vehicles 50 percent more efficient by the year 2005, saving about two million barrels of oil per day. That is more oil than America imports from the Persian Gulf, and more than five times the optimistically projected rate of extraction from Alaska's Arctic National Wildlife Refuge.

The impending "supercar" revolution could do far more. GM's 1991 prototype of its carbon-fiber "Ultralite" car can carry four adults coast to coast on 29 gallons of gasoline. Remarkable recent advances—in aerodynamics, ultralightweight materials, new motor and energy-storage technologies, micro- and power-electronics, computer-aided design and manufacturing, and software—could even bring a 120 to 150 mile-per-gallon, safe, comfortable and affordable station wagon to market early in the next decade.[2]

The United States remains competitive in these advanced technologies. Superefficient cars hold the promise of restoring

[2]A. B. Lovins, "Advanced Light-Vehicle Concepts," National Academy of Sciences Briefing, July 1991, Rocky Mountain Institute Publication no. T91–20.

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America's auto-making preeminence, especially if coupled with comprehensive policies to boost U.S. economic competitiveness. Doubled efficiency is also available for heavy vehicles from big trucks to jetliners.

Emerging policy innovations could speed the introduction of superefficient cars, even if gasoline stays so cheap that new car buyers are almost indifferent to fuel efficiency. With revenue-neutral "feebates," for example, the buyer of a new car pays a fee or gets a rebate; which and how big depends on how efficient the new car is. The fees pay for the rebates until inefficient cars are no longer made, when feebates themselves become unnecessary. Rebates could also be based on the difference in efficiency between the new car bought and the old car scrapped, helping to get efficient clean cars on the road and inefficient dirty cars off the road faster.

"Emerging policy innovations could speed the introduction of superefficient cars. . . "

Electricity: Full use of new technologies, many of the best less than a year old, could save money and fuel in electric generation (saving mainly coal as well as some oil and natural gas). The utilities' think-tank, the Electric Power Research Institute (EPRI), estimates that "electricity use in the United States could be reduced as much as 55 percent through cost-effective means," at an average cost of three cents per kilowatt-hour (kWh).[3]

The Department of Energy (DOE) and the Environmental Protection Agency (EPA) believe that technical improvements could save as much as four-fifths of all electricity now used for lighting. EPRI concurs with Rocky Mountain Institute's finding that there exists the potential to save half of all energy used to run motors. Thus better lighting and motor systems could save half of all U.S. electric generation—and adding other improvements, we believe, would raise that potential to more than three-fourths at an average cost below one cent per kWh.

Such savings are far cheaper than simply *running* existing coal or nuclear stations. Greater efficiency therefore could also prevent most of the pollution emitted by those plants, not at a

[3]D. F. Spencer, "A Preliminary Assessment of Carbon Dioxide Mitigation Options," *Annual Review of Energy and Environment*, vol. 16, 1991, p. 264; A. P. Fickett, C. W. Gellings and A. B. Lovins, "Efficient Use of Electricity," *Scientific American*, September 1990, pp. 65–74.

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cost but at a profit—cutting customers' energy bills while raising utilities' dividends.

Policymakers can harness market forces to spur electric efficiency: let utilities keep as extra profit part of the savings created for their customers, rather than letting them profit only by selling more energy. Keeping 15 percent of the savings has spurred the nation's largest investor-owned utility, Pacific Gas & Electric Company, to stop building or planning conventional power plants. Instead it plans to get at least three-fourths of its new power needs in the 1990s from increased efficiency and the remainder from renewable energy sources, the next best buy. Three other utilities now plan to get almost all their new power from efficiency in the 1990s. Last year alone U.S. utilities invested $2 billion to save electricity, and customers matched that amount.

Freed from outmoded regulations utilities start taking economics seriously, buying the cheapest options first. They offer rebates for energy-efficient products and designs, giveaways of products like compact fluorescent lamps and even "negawatt" markets in which saved electricity is traded and bid at auction. The prize: about $100 billion a year of scarce domestic capital freed for reinvestment, new export opportunities, superior services, cleaner air and greater comfort, productivity and competitiveness. Increased investment in efficiency could net 1.1 million new jobs by 2010.[4]

Alternative Sources: Many states are beginning to factor in the substantial social costs of electric generation such as acid rain, climatic change and urban smog.[5] Such calculations further shift utility investments toward efficiency and cleaner renewable sources like wind and solar energy. But many renewable energy options are already competitive—passive solar heating, solar heat for industry, certain biofuels, small-scale hydropower, windpower and solar-thermal-electric generation.

Five U.S. national laboratories recently concluded that increasing research and development by a mere $160 million a

[4]Howard Geller, et al., *Energy Efficiency and Job Creation*, American Council for an Energy-Efficient Economy, Washington (DC), October 1992.

[5]Material in this section is drawn from R. Ottinger, et al., *Environmental Costs of Electricity*, Pace University Law School Report to NYSERDA and USDOE, New York: Oceana Publications, 1990; Idaho National Engineering Laboratory, et al., *The Potential of Renewable Energy*, Interlaboratory White Paper, SERI/TP–260–3674, National Renewable Energy Laboratory, Golden (CO), March 1990; USDOE, *National Energy Strategy*, Washington (DC): U.S. Government Printing Office, February 1991, p. 109; H. Richard Heede, et al., "The Hidden Costs of Energy," Washington (DC): Center for Renewable Resources, October 1985.

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year for 20 years could by 2030 enable these renewable energy sources to provide cost-effectively about half the total energy and all the electricity used in the United States in 1989. That includes the equivalent of nine million barrels of oil per day, directly replacing oil and natural gas.

By contrast nuclear power remains uncompetitive when compared to both efficiency and renewables. According to the DOE, the average cost of electricity from nuclear power plants brought into service since 1980 is 9.9 cents per kWh. That price neglects decommissioning and environmental costs estimated at 2.9 cents per kWh. It also ignores federal subsidies, which in 1984 alone exceeded $15 billion—nearly the value of the nuclear power generated. Yet even 9.9 cents per kWh is twice the latest windpower bids and about 10 times the cost many utilities report for saving electricity. Reorienting the DOE budget away from its emphasis on nuclear weapons, nuclear power and fossil fuels would more than pay for restoring previously vibrant research and development in energy efficiency and renewables. Such options displace far more carbon dioxide per dollar spent and thus help fight a key environmental threat: global warming.

". . . nuclear power remains uncompetitive when compared to both efficiency and renewables."

Offset Global Warming

THE SUPPLY-SIDE emphasis of U.S. energy policy has subsidized the overuse of fossil fuels, creating grave environmental risks, particularly climatic change. By the middle of the next century heat-trapping "greenhouse" gases are expected to be twice pre-industrial levels, raising the Earth's average temperature by one to five Celsius degrees over the next 100 years with potentially grave consequences. This view is shared by both the U.N. Intergovernmental Panel on Climate Change and the U.S. National Academy of Sciences.

A separate global environmental problem, stratospheric ozone depletion, has already exceeded worst-case fears: the scientific community failed to anticipate an ozone hole developing over the South Pole. That surprise forced nations to adopt belated emergency protocols eliminating the production

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of ozone-depleting chlorofluorocarbons. Yet ozone depletion will persist for decades even after CFC production ceases, contributing to worldwide increases in skin cancer and possibly serious ecological disruption. In the case of global warming it would be equally risky to delay action until intolerable harm is apparent—and unnecessary, especially since the solution is profitable, whether or not the problem becomes real.

Global warming is not a normal and inevitable result of optimal economic activity. Rather it is largely an artifact of the uneconomic and inefficient use of resources, particularly energy, and of the government subsidies that distort resource allocation and use. Renewable energy sources and efficiency together can cost-effectively cut carbon dioxide emissions by half or more while providing most of the nation's and world's energy in the next century.

For example, the Swedish State Power Board found that doubling electric efficiency, switching generators to natural gas and biomass fuels and relying most upon the cleanest power plants would support a 54 percent increase in real GNP from 1987 to 2010—while phasing out all nuclear power. Additionally the heat and power sector's carbon dioxide output would fall by one-third, and the costs of electrical services by nearly $1 billion per year. Sweden is already among the world's most energy-efficient countries, even though it is cold, clould and heavily industrialized. Other countries should be able to do better.[6]

Germany has promised a 25 percent reduction in carbon dioxide emissions by 2005, and two southern California utilities have pledged a 20 percent cut over 20 years. The United States is the only major industrialized country without a carbon dioxide target. Yet simply relying more on efficiency and renewable energy sources could cut America's carbon dioxide emissions more than 50 percent *and* reduce its total energy bill, improving the environment while boosting the domestic economy.

[6]Birgit Bodlund, et al., "The Challenge of Choices: Technology Options for the Swedish Electricity Sector," *Electricity*, Lund, Sweden: Lund University Press, 1989, pp. 883–947. For a comprehensive review see A. B. and L. H. Lovins, "Least-Cost Climatic Stabilization," *Annual Review of Energy and Environment*, vol. 16, 1991, pp. 433–531.

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Restoring Economic Security

AMERICA'S ECONOMIC security has slowly eroded. Median family income is now lower than in 1973. Only the richest fifth of Americans experienced significant growth in income or wealth since the late 1970s; the remainder suffered stagnating or declining living standards. Wages have dropped to 1960s levels for most workers, and half the full-time jobs created in the 1980s paid wages below the poverty level for a family of four. The United States is the only major industrialized nation whose manufacturing workers earn less per hour than a decade ago.[7]

These economic problems stem in part from a decline in the speed, quality and innovation of U.S. manufacturing compared to other countries. Thus the nation has been left to compete for production through low wages and a weak dollar or to import high value-added products. Both options erode economic security.

In the immediate postwar era Europe and Asia were busy rebuilding basic industries such as steel and textiles, while America was moving into sophisticated products such as aerospace and computers. But today those competitors rival America in the same markets, and all major industrial nations vie to develop the same critical technologies: microelectronics, computers, telecommunications, aerospace, transportation systems, biotechnology, advanced materials and sustainable energy technologies.

"Japan has long had a national security doctrine that encompasses economic security."

Japan has long had a national security doctrine that encompasses economic security. That integrated approach has helped a small, resource-poor country enjoy remarkable economic success. The Japanese doctrine of comprehensive security includes energy security: Japan spends 22 percent of government research and development on energy; the United States spends 4 percent (though both countries misspend most of it). The Japanese

[7]See Arthur Kennickell and Janice Shack-Marquez, "Changes in Family Finances from 1983 to 1989," *Federal Reserve Bulletin*, January 1992; *Money Income and Poverty Status in the United States*, U.S. Census Bureau, September 1990; "Families on a Treadmill," staff study for the Congressional Joint Economic Committee, Jan. 17, 1992; and "Household Wealth and Asset Ownership: 1988," U.S. Census Bureau, December 1990.

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invest in new factories, machinery and other capital goods at twice the rate of Americans. Japan's strategy targets key industries needed to maintain high value-added jobs, such as those in research and development and advanced manufacturing.

Adopting a coherent economic strategy for America would be nothing new; the nation's Cold War military-industrial policy contained many of the same elements. Military contracts and federal funding bought more than 80 percent of all research and development in the U.S. aircraft industry between 1945 and 1984, helping to create America's leading export industry. Investments throughout the 1960s by the Defense Department's Advanced Research Projects Agency (DARPA) almost singlehandedly created America's leadership in computer science.

American primacy in technology, however, began to wane as the nation reduced its rate of public investment in infrastructure and in civilian research and development. Military-industrial policy, which provided a slow spinoff of research and development to civilian technologies, became increasingly ineffective in a world of newly reconstructed and vibrant economic competitors. Today both Germany and Japan spend a considerably higher fraction of GNP on civilian research and development than does the United States.

Correcting America's underfunding of research and development would take a civilian DARPA with a multibillion-dollar budget. A candidate agency already exists. In 1988 Congress gave the National Bureau of Standards a new name, the National Institute of Standards and Technology (NIST), and a new mission: to coordinate government policy on industrial technology and stimulate new ideas in the private sector. NIST could provide start-up support for private companies and universities working on critical technologies. An added government incentive would be to make permanent the federal tax credit for research and development.

Yet funding research and development in civilian technologies without improving America's manufacturing capability might only create more potential products and jobs for the Japanese, as it has in the past with consumer electronics. Failure to keep abreast of overseas competitors has cost the U.S. manufacturing sector three million jobs since 1979. The vast majority of those jobs were lost in the high-paying durable goods sector, which includes automobiles. Employment in

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durable goods manufacturing has reverted to 1965 levels. Manufacturing workers made up more than 25 percent of the U.S. labor force in the late 1960s; today they are 15 percent. Investments already made are projected to propel Japan's manufacturing base past America's by the end of the decade.[8]

Match U.S. Competitors

THE UNITED STATES needs to adopt the same kind of comprehensive long-term strategy for creating high-paying jobs as its major trading partners. The aim of such a strategy is not for the government to pick economic winners and losers but rather to create a climate benefiting all industries. A combination of increased research and development in new technologies, improved manufacturing processes and creative use of market forces would generate those high-paying jobs, while giving the nation a healthier environment.

The first step has already been discussed: a new energy policy to promote greater efficiency among U.S. businesses. Such a policy would free hundreds of billions of dollars' worth of private capital in the coming decade to be reinvested in the U.S. economy. An effective economic strategy would help this capital to be used as efficiently as possible to revitalize American competitiveness, particularly in manufacturing.

". . . assist the diffusion of these new technologies to small businesses."

The second step is thus to expand the list of civilian technologies funded by NIST to include the kinds of "flexible" manufacturing technologies currently employed by the Japanese, which allow for rapid production and product innovation.[9] That list should also include programmable machine tools, computer-aided design and computer-assisted manufacturing.

The third step is to assist the diffusion of these new technologies to small businesses. A 1987 survey of 1,000 American metal-working manufacturing plants found that

[8]Kenneth Courtis, Deutsche Bank Asia, testimony before the Congressional Joint Economic Committee, May 8, 1992.

[9]Joseph Romm, "The Gospel According to Sun Tzu," *Forbes*, Dec. 9, 1991, pp. 154–162.

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most lacked even one computerized machine.[10] Those outmoded suppliers, accounting for one million U.S. manufacturing jobs, are clearly at risk, and for no good reason.

The federal government already has a proven model for diffusion of new technologies: the U.S. Agricultural Extension Service, with a budget of more than $1.2 billion, offices in almost every county and a staff of nearly 5,000 scientists and technical experts. Studies have found a high rate of return on investment in agricultural research, extension and farmers' schooling. The extension service is a key reason why American farmers are the world's most successful exporters. Yet agriculture contributes just two percent to U.S. GNP; manufacturing contributes 19 percent.

Better-funded, nonprofit regional Manufacturing Technology Centers and Technology Extension Centers could make new manufacturing technologies available to small- and medium-sized companies. The centers provide management and technical information to companies, demonstrate new production technologies and make short-term loans of sophisticated equipment. Currently the states and NIST together spend less than $100 million a year to fund 27 such centers. Yet even five times that number would serve only seven percent of America's small manufacturers. The Japanese, by comparison, spend $500 million a year for 185 comparable testing and research centers.

The fourth step is to invest in worker training. High-paying jobs are high-skilled jobs such as those in advanced manufacturing, which place heavy responsibility on the production-line worker. Yet U.S. workers in manufacturing and other industries are not trained to compete with the millions of skilled and semi-skilled east Europeans and Asians now entering the global labor force. Private U.S. programs concentrate primarily on training executives and college graduates, ignoring the 75 percent of U.S. high-school graduates who do not go on to complete college. Federal funding for worker training and retraining in the 1980s dropped by more than half, to $5.6 billion from $13.2 billion previously.

Germany spends four times more of its GNP on workers than

[10]Maryellen Kelley and Harvey Brooks, "From Breakthrough to Follow-Through," *Issues in Science and Technology*, Spring 1989, p. 43. One study found that by the late 1980s as much as 40 percent of Japan's stock of machine tools was computer-controlled (or programmable), compared to 11 percent for the United States.

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does the United States. Germany's apprentice training system, which receives joint private and public funding, sends teenagers to school one day a week and to work four days a week. The same kind of American system could include community service starting in middle school, school-based apprenticeships combining academic education with practical work experience and traditional work-based apprenticeships extending from the last two years of high school through two years of technical college.[11] Apprenticeships could encompass not only manufacturing but also other segments of the labor market such as computer programming, auto repair and middle management. Oklahoma and Oregon are among the states already leading in the development of such programs.

A fifth step is increased funding for civilian infrastructure. America's spending on infrastructure fell from about four percent of GNP in the 1950s and 1960s to roughly two percent in the 1980s—two to three times lower than America's principal competitors. Investment in roads, bridges, mass transit, airports, school buildings and telecommunications is vital to boosting productivity, training workers and creating a high-performance economy. One study concluded that the decline in public infrastructure spending accounted for the majority of America's productivity decline since 1973.[12] New infrastructure should be held to the highest standards of energy, resource and land-use efficiency and include advanced communications technology, such as fiber optics.

The Goal: Industrial Ecosystem

AN ULTIMATE GOAL for the nation should be an "industrial ecosystem." This means an industrial process that minimizes both inputs of energy and materials and outputs of waste products and pollutants: manufacturing byproducts are designed to be sold or reused. A proper economic strategy would ensure that new manufacturing would only increase America's environmental quality. With its emphasis on resource efficiency the industrial ecosystem

[11]Stephen Hamilton, *Apprenticeship for Adulthood*, New York: The Free Press, 1990, pp. 140–41.

[12]David Alan Aschauer, "Public Investment and Private Sector Growth," Washington (DC): Economic Policy Institute, 1990.

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should become the dominant manufacturing approach of the 21st century.

Such an approach is economical because it frees up capital at both ends. So-called clean production processes use fewer toxic inputs and recycle or reuse production chemicals. Products are also designed to be clean to use, recyclable and hence more profitable. Since 1973 the 3M company has eliminated more than 500,000 tons of waste and pollutants, saving $482 million; another $650 million was saved by conserving energy. Highly efficient companies have an obvious competitive advantage over more wasteful companies. Yet American companies produce roughly five times more waste per dollar of goods sold than the Japanese, and more than twice that of Germans.[13]

The federal government can play a role in harnessing market forces to accelerate the transition to clean production techniques and thus create conditions similar to the resource abundance that was so crucial to America's past economic success. Research and development can focus on resource and process efficiency as well as developing new, easily recyclable materials. The Office of Technology Assessment estimates that U.S. manufacturing wastes can be cut in half with existing technologies and that another 25 percent could be eliminated with more research and development. Manufacturing Technology Centers can help smaller businesses design efficient manufacturing processes and help train American workers in clean production techniques.

If America is to be the leader in clean technology, one pervasive myth must be squelched—that environmental protection hurts the economy. While polluters who are unable to become more efficient may suffer, most U.S. businesses and consumers will benefit greatly—as have their counterparts in countries with higher standards. Regulations and market initiatives that encourage energy efficiency will ultimately enhance the nation's economic performance by putting tens, even hundreds, of billions of saved dollars per year into the hands of private citizens and businesses.

America's most formidable trading competitors prove this daily. Germany and Japan have some of the world's strictest

[13]Michael Porter, "America's Green Strategy," *Scientific American*, April 1991, p. 168; "Some Companies Cut Pollution by Altering Production Methods," *The Wall Street Journal*, Dec. 24, 1990, p. 1.

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environmental laws and highest energy prices. Those conditions (and relative resource scarcity) helped drive industrial innovation on a broad front, yielding world-class resource efficiency, low waste, strong economies and trade surpluses. Moreover a booming sector of their economies sells or licenses pollution-control, energy-saving and recycling equipment to the United States.

". . . one pervasive myth must be squelched—that environmental protection hurts the economy."

Well-written environmental rules can benefit the nation. Traditional "end of pipe" controls are flawed; they focus on pollution after it has been created and offer no incentive for beating the standard. In contrast a scaled incentive system gives greater rewards for larger reductions, spurring continuous improvements in technology. Tradeable emission rights can also help entire regions to meet pollution-reduction targets, allowing highly efficient companies (those that surpass the target) to make money from the less efficient.

Environmental taxes can also be a powerful tool to improve market efficiency. One reason America overuses fossil fuels is that prices do not accurately reflect social costs such as pollution. A carbon tax on all fossil fuels could encourage efficiency and fund conversion to benign alternatives. Likewise, the unsustainable cutting of forests, as well as topsoil and groundwater depletion, boosts income only temporarily by liquidating precious capital—yet national accounts do not reflect this loss. Such resource depletion ultimately does not add to a nation's vitality, but steals from future generations. Fairness requires both honest accounting and faithful reinvestment in the nation's future security.

Create Jobs and Make Money

THESE POLICIES would create millions of high-paying jobs in research and development, education and job training, and help rebuild America's infrastructure and manufacturing base, in turn creating even more jobs. They would make the United States a leader in environmentally sound products such as energy-efficient and renewable-energy equipment. Following this strategy America could vigorously compete in the global economy of the 21st century. The income

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and corporate taxes generated by these new jobs and industries, as part of revenues from a rejuvenated business sector, will help reduce budget deficits over the long term.

Short-term spending on research and development, job training and infrastructure requires tens of billions of dollars per year. Such investment could readily be funded by ending energy subsidies and reallocating military spending, which remains elevated at Cold War levels and continues to divert scarce capital from more pressing priorities.[14]

Reducing the deficit at the same time could require tax increases for the top ten percent of Americans, those owning 70 percent of the nation's privately held wealth. The 80 percent of Americans whose incomes stagnated through the 1980s should not—and need not—be so burdened. Nor need the deficit be reduced overnight. What matters is that America invest, not merely consume. Energy efficiency alone, bringing lower fuel and power bills, has the same stimulative effect as a tax cut and can increase private wealth over the next generation by trillions of dollars.

Only political leadership can deliver the comprehensive new vision of security America needs in the post-Cold War world. America's ability to sustain a global role and to maintain its own security is predicated on the nation's domestic economic vitality. The truest measure of national security is the ability of succeeding generations to expect and indeed achieve a better quality of life. The end of the Cold War presents ideal starting points: to adopt a market-oriented energy policy, to demilitarize economic policy, to practice sustainable environmental policy, and to integrate all three.

[14]For detailed analyses of possible military restructuring see William W. Kaufmann and John D. Steinbruner, *Decisions for Defense*, Washington (DC): Brookings Institution, September 1991; Earl Ravenal, *Designing Defense for A New World Order*, Washington (DC): Cato Institute, 1991. These multiyear strategies for responding to radically altered international circumstances offer savings, compared with current government plans, in excess of $70 billion per year by 1997.

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Making Believe About The World Population Crisis

World population, now 5.5 billion, is growing by about 90 million every year, and is projected to reach 12-14 billion in the next century. Nevertheless...

Let's keep on **MAKING BELIEVE** that a world population of that size (or even our present size) would be sustainable for the long term.

Let's keep on **MAKING BELIEVE** that our already over-stressed ecosystem could provide an adequate standard of living for such numbers.

Let's keep on **MAKING BELIEVE** that family planning alone, or education, or economic development, or all of these together, are capable of halting world population growth before it reaches catastrophic levels.

But ... **if** we keep on **MAKING BELIEVE**, and keep on **pretending** that those preposterous propositions are true, we are going to wind up where we are now headed: in a world of 14 billion impoverished people. Such a world would be a place where none of us would care to live, a world of almost universal poverty, with an ecosystem in ruins.

NPG believes that the optimum size for world population is not more than two billion, and that a substantially larger population would simply not be sustainable indefinitely. (World population was two billion about 60 years ago.)

In our view, only with a world population of that size could we hope to create a world economy that would be sustainable indefinitely, with an adequate standard of living for all, in a healthy environment. The basic reason why so many people profess to believe otherwise is probably because they do not see how world population could possibly be reduced to an optimum size.

In fact, according to the conventional wisdom, there is simply no way that world population can be halted short of 12-14 billion, so it accepts that as inevitable. Rather than face up to the grim reality that this would bring on an economic and ecological catastrophe, it prefers to **MAKE BELIEVE** that all will be well.

But the truth is that sustainable development for a world of 12-14 billion people, is simply an **impossible dream**.

Toward An Optimum World Population

Further population growth on the gigantic scale now projected is **not inevitable**. If we could only summon the will, we could start **now** on the path toward a sustainable world population of not more than two billion.

To reduce world population size, we need a negative rate of population growth. For that, we need a below replacement level of fertility, which a considerable number of developed countries have already achieved.

If almost no parent on earth had more than two children the world's total fertility rate (average number of children per woman) would fall well below the replacement level (roughly 2.1). That is because many women choose voluntarily to have no children at all, or only one child.

A below replacement fertility rate will be tremendously difficult to achieve in the developing countries, where 90 percent of future population growth is projected to occur, and where couples commonly want from three to six children. In 1992 the fertility rate in these countries was 3.8.

In developing countries, there must be programs of real population control geared to family limitation (no more than two children) rather than to family planning alone. Family planning must be supplemented by non-coercive incentives to encourage the two-child **maximum** family.

In 1992 the world's total fertility rate was 3.3. According to the most recent United Nations projections, if present fertility and mortality rates continue, world population would grow to 109 billion in 2100 and 694 billion in 2150!!

By contrast, with a below replacement level fertility of 1.7, or about half the 1992 level, the United Nations projects that world population would peak at 7.8 billion in 2050, but then fall to 4.3 billion 100 years later. If we could only follow that path, the world would be well on its way to an optimum population of not more than two billion.

How We Can Help

The United States now devotes only about two percent of its foreign aid budget to international population programs. NPG advocates that we spend at least 50 percent of that budget, or about $8 billion a year, to help finance programs of real population control in Third World nations.

Furthermore, we should encourage Third World countries to recognize that a replacement level fertility rate is a totally inadequate goal. That is because, even after replacement fertility is reached in those countries, the momentum of past growth would still cause their populations to roughly double.

Let's Stop Making Believe

If we could only turn from **MAKING BELIEVE** to realistic analysis as a basis for action, **the world could achieve a negative rate of population growth that would set us on the path to an optimum population size of not over two billion.**

The fate of the world, and of all future generations, hangs on our success in achieving that goal.

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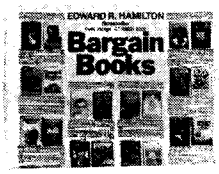

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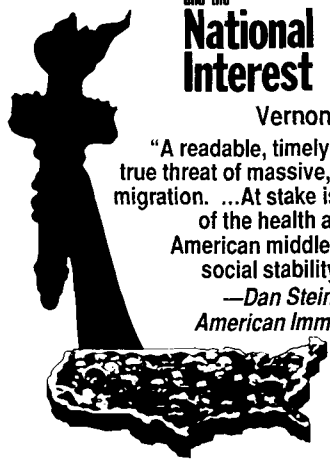

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THE POPULATION THREAT

Michael S. Teitelbaum

Stemming Fertility Rates and Migration Flows

THE CLINTON administration can ill-afford to ignore international population trends as it begins to formulate its key foreign policy initiatives. A decade ago the U.S. government performed an extraordinary about-face on this subject, and since then has paid insufficient heed to two increasingly salient sets of demographic issues: the need to forge a balanced and effective foreign assistance program aimed at moderating high fertility rates in the developing world; and the need for better monitoring of disturbingly large migration flows stemming from demographic/ethnic-based disputes.

During the 1980s the United States forfeited operational leadership on a major world issue that it had earlier pioneered. Just as most of the rest of the world was coming belatedly to embrace long-standing American urgings for concerted international attention to population issues, the U.S. government became conspicuous in downplaying the need for such attention.

Fortunately 1993 offers the opportunity for at least three important changes. With Bill Clinton as president, we can expect waning influence for the fringe groups that have been allowed to control population issues for the past decade. Moreover one may hope that the new administration will honor the promise in its campaign book, *Putting People First*, to "restore U.S. funding for the United Nations population stabilization efforts," in spite of calls by some for deep reductions in U.S. foreign assistance. Finally the disturbing mass migrations produced by recent crises in the Persian Gulf and in Yugoslavia have provided overwhelming evidence of the need for serious demographic foresight and assessment. Such efforts should include appropriate contingency planning

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Michael S. Teitelbaum is with the Alfred P. Sloan Foundation in New York City. This article draws on contributions by members of the Council on Foreign Relations Study Group on Population and U.S. Foreign Policy.

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aimed at moderating political and ethnic clashes (in the Middle East, in eastern Europe, in the former U.S.S.R.) that have the potential of producing disturbingly large migration flows of desperate people in very short order.

Unprecendented Population Growth

RECENT DEMOGRAPHIC trends can be described without exaggeration as revolutionary, a virtual discontinuity with all human history. Consider for example the astonishing fact that, although the human species emerged perhaps 150,000 years ago, most of its growth in numbers has occurred in the last 40 years. It took scores of millennia to reach the first billion humans, around 1800; over a century to reach the second billion, somewhere between 1918 and 1927; about 33 years to the third billion, around 1960; only 14 years to the fourth billion in 1974; and 13 years to the fifth in 1987.

What caused this discontinuity between the past two centuries and the preceding thousands of years of human history? Simply put, global population growth can result only from a surplus of births over deaths, and the principal engine of the modern demographic revolution was a rapid decline of deaths.

In 1800 life expectancy at birth averaged less than 40 years for the world as a whole; by 1990 it had risen to 65 years globally (to 62 years in developing countries and 74 years in the industrialized nations). The key declines in mortality rates were among infants and children in the developing countries of Asia, Latin America and Africa, principally in the period since World War II. At the same time, however, there was no contemporaneous drop on the fertility side; for decades after mortality had declined greatly, many nations of Asia, Africa and Latin America continued to sustain very high fertility.

This juxtaposition of rapid mortality declines with sustained fertility at very high levels produced a sharp acceleration in population growth. In the Third World as a whole, population growth rates more than doubled—from an annual rate of less than one percent during the first half of this century to well over two percent since 1950. With the power of compound growth it took only four decades after 1950 to add some 2.5 billion persons—to a population base of only 1.7 billion, a number that had taken the whole of previous human history to reach. Though the population of Europe expanded greatly as its mortality rates declined slowly during the nineteenth cen-

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tury it is not widely understood that recent rates of Third World demographic growth have exceeded by far the highest ever experienced during the era of European industrialization.

The global rate of demographic increase, already very high by the 1950s, continued to accelerate through the 1960s. By the end of that decade the world had experienced what will probably prove to be an all-time historical peak of annual percentage increase—just over two percent for the world as a whole. Since that peak the rate of global population growth has drifted slowly and modestly downward, with perhaps a small rise very recently, and is today about 1.7 percent.

This small decline in the percentage rate of global population growth was important; after all, it represented the reversal of a 200-year pattern of accelerating rates of increase. Fertility in much of the developing world declined substantially, but so too did mortality, and the number of young women reaching childbearing age increased sharply. The resulting small decline in the rate of population growth was not large enough to reverse the steady increase in the numbers added each year to the world's population. By way of comparison, during the past year the human population increased by over 90 million persons—more than the current populations of Germany or Mexico—compared with 25 million annual increase during the 1940s and 70 million per year in the 1960s (when the growth rates peaked). The highest growth rates at present are in Africa, followed by South Asia and Latin America; the lowest are in Europe and Japan.

"Although the human species emerged perhaps 150,000 years ago, most of its growth . . . occurred in the last 40 years."

Of course the unpredictability of the emerging AIDS pandemic adds uncertainty to demographic projections for the future. This is especially true for those parts of sub-Saharan Africa where AIDS poses problems of truly disheartening magnitudes. Nonetheless the best available evidence indicates that even such a devastating pestilence is not likely to produce mortality increases of a magnitude that would dramatically reduce projected population increases.

Population growth rates are by no means the only demo-

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graphic facts of foreign policy significance; at least four others deserve attention. First, populations with high fertility have a powerful and long-lived momentum for continued growth. Even if current high fertility levels declined overnight to the low levels prevailing in industrialized countries, such populations would continue to grow for another half century and would increase by 50 to 100 percent.

This momentum is a consequence of a second strategically significant characteristic of high fertility populations: a high percentage of children. Often nearly half the population consists of children, as compared to about one-fifth in low fertility settings.

Third, most high fertility societies have been experiencing exceptionally rapid urban growth rates, with large cities growing twice as fast as national populations and often doubling in size within only a decade. Mexico City, for example, is now the world's largest urban area, having increased 11-fold in 50 years: from about 1.6 million in 1940, to 5.2 million in 1960, to at least 18 million at present.

Fourth, many (though not all) nations with rapidly growing populations and significant rural-to-urban migration are also producing large numbers of international migrants, whether as temporary workers, permanent immigrants or refugees.

Turnabout in American Policy

AS WORLD population growth accelerated with declining mortality during this century, there was a long, but wholly understandable, delay in the American public's recognition of this unintended effect of successful efforts to reduce mortality.

Early in the 1950s a few knowledgeable observers, such as philanthropist John D. Rockefeller 3rd and the Princeton economist-demographer Frank Notestein, began to urge that ongoing efforts to reduce mortality be accompanied by attention to high fertility. By and large their proposals were either ignored or actively opposed. Rockefeller was unable to gain support for such parallel efforts even among his fellow directors at the Rockefeller Foundation. This led him in 1952 to establish a new organization, the Population Council, to deal with population issues in a focused manner. Efforts to convince the U.S. government to pay attention to high fertility in its foreign assistance programs were met with indifference,

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and later with active opposition from various political and religious groups. U.S. foreign policy on population issues remained cautiously neutral—or, more correctly, nonexistent.

By the early 1960s elite public opinion on population matters—Republican and Democratic, conservative and liberal alike—had shifted closer to that advanced by Rockefeller a decade earlier. Key figures in the Kennedy administration initiated the first U.S. foreign policy initiatives on population, in spite of opposition from the Catholic Church—thereby confounding those who had argued that the nation's first Catholic president might impose the teachings of his church upon the nation as a whole.

President Lyndon Johnson and Congress gave strong and sustained political support to the newly created Population Office at the Agency for International Development (AID). In concert with several west European nations the United States also moved to engage the United Nations and its specialized agencies in population activities. These efforts were resisted by an odd coalition of governments, including some influenced by traditional teachings of Catholicism and Islam, yet led by the assertively atheistic governments of the U.S.S.R. and other Marxist-Leninist states. Thus stymied by its communist adversaries the United States led a successful 1969 initiative to establish a voluntary U.N. Fund for Population Activities (UNFPA), to which it quickly became by far the largest contributor.

"Among the most popular rhetorical themes of Third World critics was the slogan that 'development is the best contraceptive'. . . "

President Richard Nixon continued his predecessors' energetic support for population initiatives and indeed lobbied strongly and successfully for a U.N. global conference on population. When this conference was scheduled for Bucharest in 1974 President Nixon appointed a substantial number of population activists as delegates, with his conservative H.E.W. secretary, Caspar Weinberger, as head of delegation. In Bucharest this centrist-to-conservative American delegation put forward a forceful policy agenda favoring urgent global action to reduce high fertility, including demographic targets against which progress could be measured over time.

This agenda was energetically rejected by most Third World

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governments, including many that were pursuing active domestic population policies. Among the most popular rhetorical themes of Third World critics was the slogan that "development is the best contraceptive," accompanied by the hoary Marxist line that "population will take care of itself," if only the West would agree to the large transfers of wealth and more favorable terms of trade embodied in demands for a "New International Economic Order."

American governmental support for international initiatives on population continued into the conservative Ford administration, but the advocacy became more muted. During the Carter administration concerns about perceived rhetorical and programmatic excesses of earlier foreign assistance programs degenerated into a morass of personal and bureaucratic politics, personnel actions and lawsuits; yet even in such unpleasant circumstances there continued to be unanimity as to the importance of sustained programmatic support for population activities.

As U.S. foreign policy proceeded in this sustained manner the 1973 Supreme Court decision legalizing abortion in the United States was stimulating a divisive domestic debate that later would engulf U.S. foreign policy discussions on population issues. The "pro-life" (originally "right-to-life") groups that formed in opposition to the Supreme Court decision focused initially on abortion issues per se, seeking a constitutional amendment essentially banning pregnancy termination. Gradually, however, some of these groups extended their opposition to contraceptive methods that affect the implantation of fertilized eggs, then to other contraceptives and ultimately to government-funded programs intended to assist poor people who wished to regulate their fertility.

In 1980 many of these groups supported the election of Ronald Reagan, who ran on a strongly pro-life platform. With a newly elected supporter in the White House the pro-life movement deferred its goal of a constitutional amendment and concentrated its lobbying efforts on incremental limitation of domestic funding for abortion and contraceptive services. These initiatives achieved only limited successes, due to strong opposition from other groups.

The foreign policy arena proved more malleable; there was, after all, a long-standing ambivalence about U.S. foreign assistance in general, and no substantial domestic constituency was affected by the cutoff of any particular form of such

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assistance. For a brief period in 1981–82 the strongly pro-life former Senator James Buckley (R-N.Y.) served as undersecretary of state for security assistance. In this capacity Buckley promptly attempted to eliminate all U.S. funds for population assistance, but was thwarted by Secretary of State Alexander Haig on the advice of his regional assistant secretaries. In 1984, in an advocacy crescendo prior to the presidential election, pro-life groups and their supporters within the White House succeeded in appointing Buckley as chairman of the U.S. delegation to the 1984 U.N. International Conference on Population in Mexico City, and in mobilizing a review of U.S. foreign policy on population within the ideologically congenial domestic policy staff of the Reagan White House. The latter review produced a revisionist "Policy Statement on Population" that pronounced rapid population growth to be a "neutral" force—ironically a position long held by Marxist-Leninists.

Though most promoters of this strongly ideological pronouncement left office many years ago there was no high-level re-articulation of a balanced perspective during the subsequent Reagan and Bush years. In the resulting policy vacuum the confident but ill-founded assertions of the Mexico City policy statement gradually became entrenched as official dogma. This sent clear signals to U.S. foreign-policy makers that real career risks were attached to efforts at serious analysis of demographic trends and their implications.

A distinct trend of declining attention to population matters ensued among U.S. diplomats and foreign assistance professionals. The coordinator for population affairs within the State Department became a notably low profile position. AID withdrew its long-standing financial support for two of the largest and most effective multilateral agencies dealing with population matters—UNFPA and the International Planned Parenthood Federation (IPPF).

Forces other than ideology were at work. Demographic trends are quintessentially matters of the very long term, a time horizon that has increasingly come to be discounted in American politics. Very little of demographic significance can take place over the term of a president or a Congress. Rapid demographic change—even very rapid natural increase at its theoretical maximum of about four percent per year—is relatively slow and steady compared with the far more dramatic changes that prevail in the economy, in diplomacy and in

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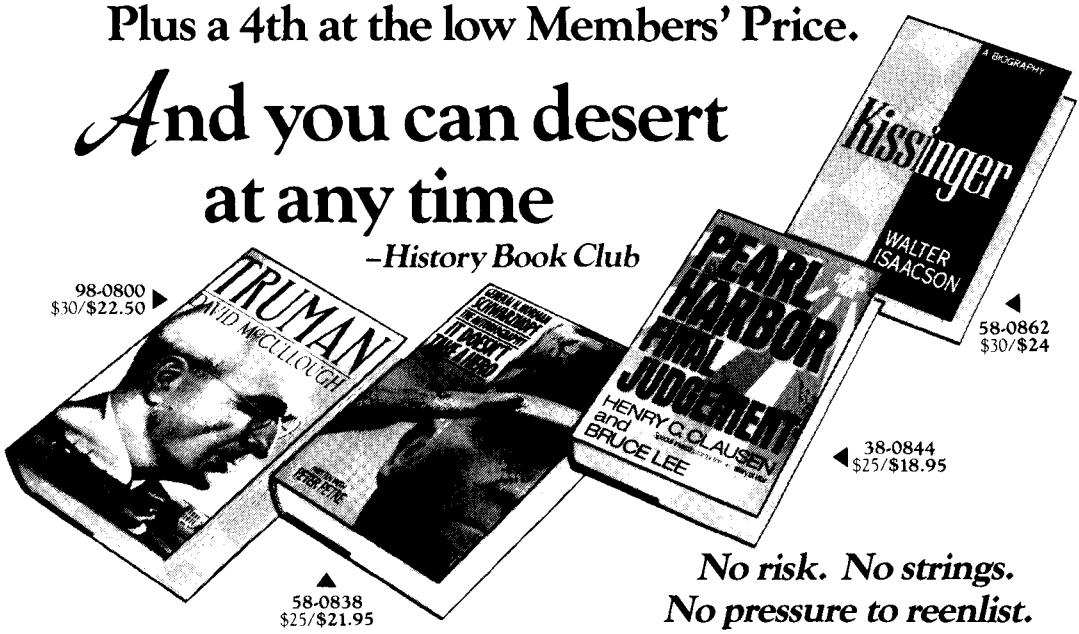

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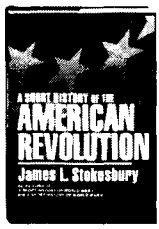

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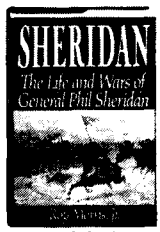

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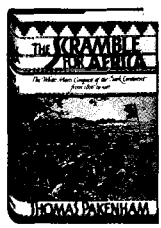

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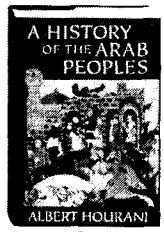

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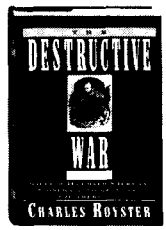

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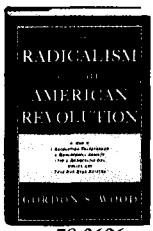

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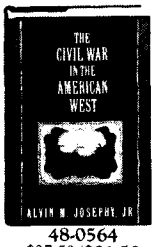

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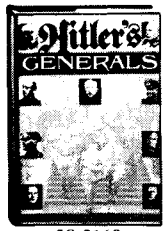

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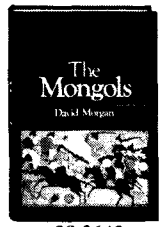

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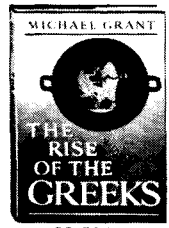

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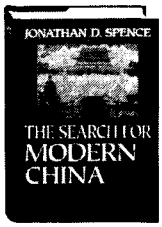

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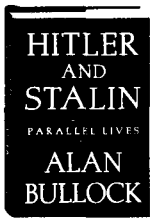

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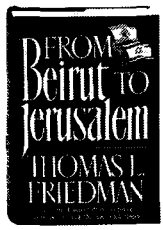

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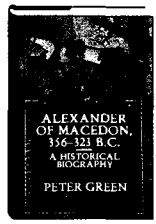

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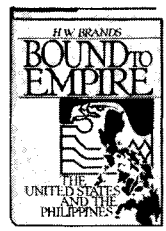

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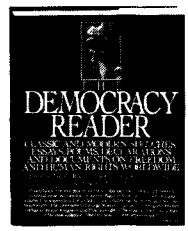

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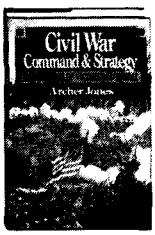

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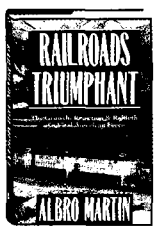

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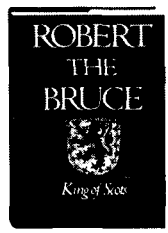

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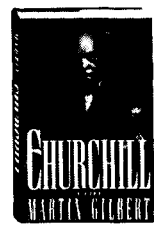

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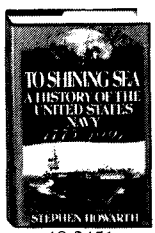

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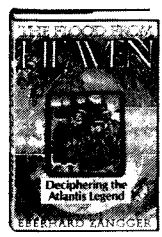

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the professional fortunes of political parties and politicians. Adverse consequences are delayed many decades into the future; no immediate "crises" emerge. As the American political system has shifted its focus sharply toward the short term, the exceptionally long time scale of population issues has rendered them of declining political interest.

Finally, the domestic American debates about demographic patterns are closely tied with other issues that are apparently irreconcilable. Inevitably matters of human fertility, mortality and migration touch on many of the most emotional and contentious issues of belief and opinion. These include millennia-old theological debates about sexuality and the legitimacy of different forms of voluntary fertility regulation; the divisive domestic issue of abortion; strongly held views on the proper roles and status of women and men; ethical questions concerning one generation's obligations to its successors; emotional opinions on ethnic solidarity and the sovereignty of national borders; and passionate, centuries-old disputes as to the proper role of the "enlightened state" versus the "unfettered market" in social and economic policy.

Trading Places with Marxists

IT IS AN ASTONISHING fact that during the 1980s the Reagan administration traded ideological places on population issues with its communist adversaries. These mutual reversals are reflections of over 200 years of ideological argument about population issues—a fascinating and contorted history, full of outright mistakes and wild assertions, that can only be touched on briefly here.

Early commentators such as the mercantilists and utopians saw no limits to population size, equating larger populations with greater wealth and military power. The classical economists, led by Adam Smith, David Ricardo and Thomas Robert Malthus, retorted that population growth could not increase prosperity and should be limited to a level sustainable without widespread poverty. Malthus gloomily concluded that deaths ultimately would rise to restrain population increase, unless "moral restraints" of deferred marriage and celibacy outside marriage were widely adopted. He forcefully rejected as "vice" alternatives such as contraceptives and abortion, as did most of his fellow Anglican clergymen.

Malthus later became a target of vitriolic criticism by Karl

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Marx. The founder of communism provided no theory of his own about population size and growth, which for him were essentially neutral phenomena. For Marx the fact that people were producers as well as consumers meant that the resource limits emphasized by the classical economists could arise under capitalism, but not under socialism. In 1921 such inchoate views were embraced by Lenin's new Soviet state, which, while legalizing abortion as a woman's right, rejected contraception as "Malthusian."

"Suddenly the very future of socialism in China depended upon limiting fertility within marriage to only one or two births."

These three population orthodoxies of Marxism-Leninism—population growth as a neutral phenomenon, abortion as a women's right unrelated to "population," and contraception as shabby "Malthusianism"—persisted for well over 100 years. Early Maoist leaders of revolutionary China echoed these ideas, then vacillated, but as late as 1974 Beijing was asserting that rapid population growth was a "very good thing" and that population problems were produced by "imperialism and hegemonism."

By the late 1970s the Chinese leadership had done a complete about-face. Suddenly the very future of socialism in China depended upon limiting fertility within marriage to only one or two births. All the "moral restraints" urged by Malthus, plus the contraception and abortion he opposed, were embraced at the highest political levels and implemented via energetic propaganda, economic incentives, social pressures and sometimes overzealous cadres.

As this was taking place among Chinese Marxist-Leninists, right-wing thinking in the United States was moving dramatically toward the old-line Marxist tradition. New right and libertarian think tanks, such as the Heritage Foundation and the Cato Institute, began to argue that rapid population growth was, at worst, a neutral factor in economic development—and indeed might be a positive force so long as the "correct" economic system were in place. These arguments were energetically promoted in "backgrounders" aimed at a receptive Reagan White House.

It was these revisionist views that dominated the Reagan administration's 1984 policy statement on population at the

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International Population Conference in Mexico City. This remarkable document forcefully declared population growth "a neutral phenomenon . . . not necessarily good or ill." The population boom, it said, "was a challenge; it need not have been a crisis." The alleged crises of too-rapid population growth actually resulted from two other coinciding negative factors: "economic statism," i.e., "too much government control and planning," accompanied by "an outbreak of anti-intellectualism which attacked science, technology and the very concept of material progress."

Thus did the revisionist American new right come to embrace the neutralist population arguments long promoted by old-line Marxists and Maoists. For both strains of ideologues, excessive population increase simply cannot occur under "correct" economic policies. Of course passionate disputes continued as to what economic policies are "correct," but on population issues the new right and the old Marxist-Leninist ideologies converged, while the American government and its now revisionist communist adversaries traded places.

De-Funding Population Programs

WHAT ARE the repercussions today of U.S. policy decisions of the 1980s? While weakly based in factual evidence, the 1984 Mexico City policy statement laid the groundwork for a policy that was by no means wholly ineffectual, with an especially ironic twist involving the by then revisionist Marxists in China. One year after the Mexico City statement the administrator of AID suddenly announced that its contributions to UNFPA would be withheld. This decision was especially noteworthy since the United States, under President Nixon, had led the 1969 international initiative to establish UNFPA, and had long been its most generous financial supporter.

The reason given for the withdrawal of American support for UNFPA was the fact that it provided modest financial assistance to China's population programs. In parts of China high-level encouragement apparently produced abusive implementation at lower levels, including reported coercion with respect to abortion and sterilization. While such coercive measures were strongly criticized by proponents of voluntary family-planning programs and received no UNFPA support, they nonetheless became the putative basis for the withdrawal

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of American funding for the principal international agency in the population field.

A second casualty of the de-funding initiative was the International Planned Parenthood Federation, a London-based confederation of nongovernmental family-planning programs around the world. IPPF agreed to provide the U.S. government with assurances that its funding would not be used to support legal abortion information or services, but was unable to certify that its independent national affiliates would not use their own, non-U.S. funds for such purposes. Citing the Mexico City policy, AID terminated its support for IPPF in 1985.

Although Reagan administration officials initially honored their assurances that the funds withdrawn from UNFPA and IPPF would continue to be allocated to other population assistance programs, budget requests eventually turned downward. Congressional proponents of population activities were able to prevent the actual reductions requested, but the numbers of countries and people seeking assistance grew rapidly to exceed the funds available. In addition the AID population program was obliged to provide support for a variety of "natural family planning" theories and approaches, some of which were of highly questionable scientific validity. As a result there are now serious shortfalls in the resources available to both USAID and UNFPA to respond to population assistance requests being received from developing countries.

End Ideological Suppression

IT IS NOW TIME for a truce to be declared in rhetorical salvos. If constructive U.S. leadership is to be reestablished in this sphere, a few modest steps are required.

First, attention to population change needs to be liberated from the ranks of the "ideologically suspect," to which it was consigned during the Reagan administration. The subject deserves serious and balanced consideration by American policymakers, unconstrained by the fear that they may be treading upon dangerous turf. Such a recalibration of official pronouncements on demographic matters should recognize the two-way mutually reinforcing relationship between economic development and responsible fertility behavior, in which each promotes the other.

Second, there is a need to reinvigorate U.S. assistance for

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voluntary family-planning programs. Any fair-minded observer reviewing the ample evidence of the past two decades will conclude that such programs can be surprisingly effective both in moderating high fertility and in promoting public health. This generalization, while not everywhere true, applies to a wide variety of economic and cultural settings—even to exceptionally unfavorable circumstances, such as those found in Bangladesh and Kenya. There is strong grass-roots demand, much of it still unmet: an estimated 100 million additional women worldwide report that they would like to use contraceptives if they had access to the necessary information and supplies. Interest among Third World governments has risen dramatically. In an unprecedented action the 1992 summit meeting of nonaligned states emphasized the importance and urgency of the population question. Official requests for American financial support have grown rapidly, now far exceeding a supply that declined in real terms during the 1980s. In fact the sums involved are not very large—a shift of only two percent of the foreign aid budget would double the level of population assistance—but they are not being provided.

As forcibly stated by President Bush in 1973, when he was U.S. ambassador to the United Nations, assistance for voluntary family planning can have decisive impacts on the "great questions of peace, prosperity and individual rights that face the world." It can reduce the damaging effects of high fertility on the health of both women and children, allow millions to realize their desired family size, moderate the difficulties poor countries usually face in expanding basic health and educational facilities, and minimize the economic and political stresses caused by imbalances between the rates of labor force growth and job creation. The countries that would benefit most from such assistance are concentrated in Africa, South Asia, the Middle East and parts of Latin America.

A rebalanced U.S. posture on population issues would recognize that sustained high fertility is not the principal or only cause of the endemic poverty and high unemployment that prevail in much of the Third World, that lowering fertility will not automatically lead to prosperity and health, and that economic conditions may under some circumstances improve even if high fertility continues. At the same time it would emphasize one key point: that economic advances and individ-

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ual welfare both are likely to be greater in most Third World settings if moderate instead of high fertility rates prevail.

Third, foreign population assistance is not an appropriate target for the heavy artillery of American abortion politics. The temptations are obvious for politically active groups on both sides of this continuing domestic fray. Yet thoughtful adherents in opposing camps agree that abortion—whether or not it is supported as a basic human right—is not a desirable method of family planning, and that improved knowledge of (and access to) effective contraception reduces the numbers of abortions, legal or illegal. Moreover both groups are well aware that U.S. law has—since the 1970s—prohibited the use of foreign assistance funds for abortion services.

". . . foreign population assistance is not an appropriate target for the heavy artillery of American abortion politics."

Fourth, one of the most effective contributions the United States could make would be to deploy its impressive research capacities toward improving the safety and effectiveness of contraceptive methods. Both basic and applied research in human reproduction has long been sparsely funded, especially research directed toward methods that fit the diverse human values and circumstances of the Third World. Most existing contraceptive technologies were developed by pharmaceutical companies, but their interest has declined due to difficulties with U.S. regulatory approval for new methods and the vagaries of the civil justice system in apportioning responsibility for contraceptive failure and side effects. The development of improved methods would serve many goals at once: enable millions of couples to realize their desired family size; improve the health of women and children; contribute to the effectiveness of national population policies; and reduce the volume of abortions, numbering in the tens of millions annually, that follow many unwanted pregnancies in developing countries, often with mortal consequences for the woman.

Fifth, the new administration should look again at the Reagan administration's ban on U.S. contributions to UNFPA and IPPF, two of the most effective multilateral actors in the population sphere. The American about-face on UNFPA, an agency created through American initiative, was premised

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initially upon the assertion, later abandoned, that it supported an abusive population program in China. The United States has received firm UNFPA assurances that none of its funds would be provided to China, and has officially acknowledged that UNFPA does not itself fund or support abortion services.

The case of China was only a rationalization for the Reagan administration's decision to de-fund UNFPA, a prominent but inappropriate target of domestic abortion politics. The prohibition of U.S. support for IPPF was equally inappropriate, given its assurances that U.S. funds would not be used to support abortion services or information. For those opposed to abortion, the effect was most probably counterproductive: to the extent that IPPF-supported family-planning services have been constrained by funding shortages, unwanted pregnancies and subsequent resort to abortion have in all likelihood increased.

Sixth, there is a serious need for the U.S. government to develop capacities for better foresight on international demographic patterns, and in general to "make the connections" between many elements of its foreign policy and powerful underlying demographic trends. Candidate topics include:

—demographic changes internal to other countries, especially where shifting demography among competing ethnic, racial, national or religious groups are important destabilizing forces (as in the tragic cases of Lebanon and Yugoslavia)

—the impact of dramatic growth in the labor forces of developing countries and of the emergence of "megacities" (such as Mexico City, Bombay and São Paulo), especially when these trends lead political leaders to adopt unwise economic policies. (During the 1970s many governments imposed price controls or subsidies for urban food supplies, while seeking rapid job creation via heavy economic stimulus. Such policies were often financed by foreign borrowing that later contributed to the crushing burdens of international debt these countries still face.)

—the implications of already large and ever-increasing human movements across international borders, often in abuse or violation of sovereign laws and international agreements.

During the early years of the Reagan administration the CIA undertook serious studies of such matters, but those efforts were terminated during the late 1980s. While a low level of

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such analytic activity apparently continues to produce occasional background reports, the more concerted attention of past years is clearly in order.

Seventh, there is a need for balanced yet serious attention to the linkages between demographic and environmental change. Pragmatic diplomacy must deal intelligently with sensitive world regions where environmental constraints interact forcefully with demographic trends in potentially destabilizing ways. Such regions include the volatile Middle East, where population growth and migration trends are exacerbating looming bilateral conflicts over scarce basic resources such as water: tensions simmer between Syria and Turkey over Turkish plans for the Great Anatolia Project for the Euphrates River basin, and among Israel, Jordan and Lebanon over access to the scarce waters of the Yarmuk River.

". . . there is a need for balanced yet serious attention to the linkages between demographic and environmental change."

It does not require exaggerated visions of global apocalypse to conclude that, for many poor countries, sustained high rates of fertility and urban growth both contribute to environmental degradation and limit the capacities of these societies to respond to such problems. Population issues were highly visible during the 1992 U.N. Conference on Environment and Development, and are sure to continue on the international agenda.

Needed: A Central Nervous System

IT IS NOW apparent, to all who care to see, that thoughtful U.S. government attention to the powerful forces of demographic change has been ideologically suppressed for over a decade. Continuation of this self-inflicted blindness to demographic insights is increasingly dangerous for U.S. foreign policy interests in many strategically sensitive world regions, and in arenas as diverse as health promotion, economic development, political stability and environmental preservation.

Should 1993 see such a rebalancing of political perspectives on matters demographic, the executive branch would find

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itself ill-configured to undertake the needed steps, however modest. In the present governmental structure there is no locus of attention that can contemplate the kind of broad and balanced perspective on population issues that is needed. Meanwhile analyses of the causes and consequences of large-scale human migrations are still in their infancy within the U.S. government, and hence the nation is ill-prepared to respond sensibly to these predictably growing problems.

What is required is some kind of central nervous system for activities and responsibilities that are now widely scattered. In France assessments of international demographic issues are coordinated within the office of the president; in Canada within the foreign ministry. U.S. offices such as the National Security Council or the Department of State are good candidates for dealing with population concerns. During the 1960s and 1970s the former played a forceful and constructive role in international population issues, and could do so again. The State Department currently has a low-profile office to coordinate population affairs and two offices responsible for refugee issues, yet none of these is charged with assessing the forces that drive international migration trends and prospects.

The United States could learn greatly from the past demographic blunders of others. In countries as diverse as China, India, Lebanon, Brazil and Mexico unrealistic views on population matters, driven by ill-informed ideologies, succeeded only in deferring pragmatic attention to realities that became notably harsher with time. Such delays in turn contributed to destructive economic and political developments that no one could control, or to excesses in implementation once action in the population sphere was belatedly adopted.

"Hell," wrote the poet Tryon Edwards, "is truth, seen too late—duty neglected in its season."

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HUMAN RIGHTS QUANDARY

Robert Cullen

The Costs of Vagueness

OF ALL THE NEW problems posed by the collapse of the Soviet empire none is more urgent than the need for Washington to devise what would be called, if Leninist jargon were still in fashion, a nationalities policy. As long as Moscow managed to smother ethnic conflicts within its dominions, the lack of such a policy hardly mattered. The United States could and did get by with indiscriminate support of virtually all grievances against Soviet rule, as long as they were couched in the rhetoric of human rights. Many of these were cases of individual rights—the right of Andrei Sakharov, for instance, to espouse views at variance with official ideology. But others were claims to collective rights, like that of Balts, Georgians and Armenians to secede from the Soviet Union and form independent countries. Now that the artificial order of Soviet power has vanished, the unbridled assertion of collective rights, most often expressed as an aspiration to national self-determination, has become a major threat to global stability. The United States can no longer afford to be vague in its thinking about individual and nationality rights.

The Bush administration, unfortunately, failed to realize the necessity for a new and precise policy. It relegated the new questions of nationalities to the area of human rights policy. And once the Cold War was over, human rights issues largely slipped off the administration's agenda. This was a critical mistake. Not only did it contribute to the waffling evident in Washington's approach to the Yugoslav conflict, but it also ignored the fact, proven in the Cold War, that the steadfast advocacy of a clearly defined set of human rights can be a powerful foreign policy tool—one that buttresses American leadership and undermines American adversaries. It also

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ignored the fact that whatever the practitioners of realpolitik might wish, a strong and bright moral component is essential to American foreign policy; without it, public support for foreign engagement tends rapidly to erode.

The challenge for the Clinton administration is to reformulate American human rights policy in the postcommunist era by defining the individual and collective rights the United States will support. Only then will American foreign policy have the requisite consistency of purpose to deal with the conflicting claims of emerging nationalities.

Dealing with Conflicting Claims

AROUND THE GLOBE the assertion of collective rights by one or another national group roils the status quo. Francophone residents of Quebec agitate for distinct status within, or perhaps secession from, Canada. In Asia Tibetans seek independence from China, and Tamils want to partition Sri Lanka. In Africa a civil war tears apart Ethiopia. In the Middle East Kurds wish to carve their own country out of Iraq, Iran and Turkey, and Palestinians demand the right to create a state in the West Bank and Gaza Strip territories occupied by Israel—itself the product of one of this century's more successful campaigns for the collective right of self-determination.

In the former communist countries the conflicting assertions of collective rights seem all the sharper for having been suppressed for generations. Even before the failed 1991 coup civil war had broken out within the Soviet Union, pitting Armenians against Azerbaijanis for control of Nagorno-Karabakh, a territory populated principally by Armenians but lying within Azerbaijan and claimed by both groups as part of their patrimony. The disintegration of the Soviet Union, rather than resolving various claims to collective rights, only multiplied them.

National groups that prior to August 1991 had been cast in the role of oppressed minorities adjusted all too rapidly to the status of oppressive majority. Once the erstwhile Soviet republic of Georgia obtained its independence the Ossetian minority within Georgia sought its own independence. Georgian nationalists suddenly converted to the doctrine of the sanctity of existing borders. Latvians, denied their democratic rights for more than fifty years, passed a citizenship law in 1992 that denied the right to vote to all the country's Russians, save those

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who had lived in Latvia prior to 1940 and their descendants. The law extended citizenship to people of Latvian blood regardless of where they were born or how recently they had taken up residence in Latvia. It denied citizenship to many Russians who were born in Latvia and had lived there all their lives.

Yugoslavia most dramatically demonstrates the disastrous potential of the assertion of collective rights in the postcommunist era. The Yugoslavs, as constituted from 1918 to 1991, were divided by nationality, religion and history. Repression by the communist government and the personal authority of Josip Broz Tito held this unlikely amalgam together for 35 years after World War II. But Tito's death in 1980 inaugurated a process of disintegration. Debt problems and economic stagnation accelerated that trend. The loss of the Communist Party's monopoly on power in the post-glasnost era brought the centrifugal energy to a critical level.

"Yugoslavia most dramatically demonstrates the disastrous potential of the assertion of collective rights in the postcommunist era."

Yugoslavia's war, as well as others in the former Soviet republics, demonstrates several sobering realities. The first is that transitions to democracy, rather than ameliorating conflicting claims to collective rights, can exacerbate them. For the leaders and would-be leaders of new republics and provinces the temptation to declare or strive for independence is strong. An independence movement diverts popular attention from intractable economic problems. If the movement succeeds, independence immediately elevates the national leader's status from that of backwater politician to head of state. Thus as long as former Soviet republics and satellites remain democratic, autonomy and independence movements will proliferate.

Second, conflicting assertions of collective rights cannot be resolved by simply endorsing the right to political self-determination via referendum in a given geographic area. Populations are not cleanly divided. There are too many areas with two, three or four claimants. For the Trans-Caucasus area of the former Soviet Union, one historian, an Armenian American, devised 11 different shadings for a map illustrating the claimants and combinations of claimants to a territory the

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size of North Dakota. Finally, in the absence of countervailing factors there is more than enough suffering and injustice in the history of virtually any national group to prompt it toward vindictiveness and vengeance against its neighbors.

It is worth noting, however, that the presence of a democratic political system with one or more national minorities does not inevitably lead to strife. Italian-speakers in Switzerland, for instance, are not demanding unification with Italy. Nor are ethnic Swedes on Finland's Aland Islands demanding unification with Sweden. Although there is no simple formula for harmony in a multiethnic state, several factors appear to be important. National minorities will be less restive if they have given informed consent to their status; they need some degree of political autonomy. On the Aland Islands, for instance, the Swedish population has some control over the right to take up residence and vote. Language rights may also help satisfy a minority, though they need not be unlimited. In Switzerland's French cantons, for instance, the language of instruction in public schools is French. But if a French-speaking Swiss moves to a German-speaking canton, he cannot demand a French-speaking public school for his children. Much depends on an atmosphere of mutual respect and accommodation. Switzerland's linguistic groups coexist, in part, because they have traditionally been willing to learn one another's languages.

Apart from government policies safeguarding the autonomy of minorities, the state of a nation's economy has a major impact on nationalist sentiment. People busy making a livelihood and improving their living standard tend not to listen to extreme nationalists. People with declining standards of living tend to be receptive to politicians who argue that the fault lies with another nationality that is gouging them.

The challenge, of course, is to devise a policy that will help shepherd the troubled regions of the world from Yugoslavian conditions to Swiss conditions. It is a task that will require the work of not just one administration, but of generations. To begin the United States must first determine its policy toward collective and individual human rights.

Collective Rights and Violence

MOST AMERICANS are instinctively comfortable with a foreign policy that supports individual rights. Such rights are the pillars of American democracy: freedom of

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religion and its corollary, the separation of church and state; freedom of speech and press; freedom to travel and settle wherever one's means will allow; freedom from discrimination on the basis of race, creed or sex. The world's concept of individual human rights owes much to the American Bill of Rights, which in turn was derived from a rich variety of sources, stretching backwards in time from Runnymede to Athens.

Collective rights, by contrast, span a spectrum from simple freedom of association to a variety of special remedies and protections. The ultimate collective right, of course, is the right to create an independent state. Short of that, groups may assert the right to their own schools and to make their language the official language in a given area. They may seek to block the entrance of other nationalities into their homeland. They may seek special political rights. Crimean Tatars, for instance, now comprise less than ten percent of the population of Crimea. They consider themselves, however, the indigenous people of the peninsula, deprived of their rightful place by Russian conquest in the eighteenth century and Stalin's deportations during World War II. Their present demands include, in addition to schools, special rights to resettle in Crimea and veto power over legislation in the Crimean legislature, which has a Russian majority.

U.S. policy rarely made a distinction between the two categories of human rights, because history rarely presented it with clear cases that required it to do so. In the imperial era governments that repressed minority nationalities tended also to repress individual rights, and repressed minorities tended to engage American sympathies for that reason. Moreover Americans were rightly conscious of the fact that the founders of this country broke away from an empire in an act of self-determination. The first secretary of state, Thomas Jefferson, declared that "it accords with our principles to acknowledge any government to be rightful which is formed by the will of the people, substantially declared." Woodrow Wilson and Franklin D. Roosevelt made self-determination for oppressed nations part of America's war goals in 1917 and 1941. After the Second World War sympathy for the victims of Hitler and Stalin impelled the United States to embrace the causes of Zionism and the captive nations of the Soviet Union.

In the Helsinki Final Act of 1975 the United States endorsed the consensus that "participating states will respect the equal

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rights of peoples and their right to self-determination." Helsinki left deliberately vague what the right to self-determination meant. But since 1975 the Conference on Security and Cooperation in Europe has begun gradually to define it. Follow-up meetings have declared that national minorities have the right to read and disseminate information in their mother tongues. A 1990 CSCE meeting in Copenhagen declared that it is up to individuals, not governments, to decide whether they are members of a minority. The process has stopped well short of declaring that any minority has the right to political autonomy or statehood, and as long as the CSCE operates by consensus, it never will. But there does seem to be a tendency for each follow-up meeting in the Helsinki process to seek a consensus that expands the area of collective rights. The United States has, without much debate, gone along with this trend.

". . . Americans have good reason to be troubled by the assertion of collective rights."

For both philosophical and pragmatic reasons, though, Americans have good reason to be troubled by the assertion of collective rights. The United States was founded on the idea that citizenship and political rights cannot be based on ethnic or religious identity. The idea that within a given European, Asian or African country groups of people cannot coexist because of their religious or ethnic differences is fundamentally alien to American values. The CSCE's expanding definition of the cultural and linguistic rights of minorities has already reached the point where it begins to challenge the American ideal engraved on U.S. coins, e pluribus unum. And from a practical standpoint the tendency for the assertion of collective rights to be accompanied by violent conflict has been adequately demonstrated.

Yet, as Yugoslavia showed, an American policy that opposes national independence movements whose time has come runs the risk of being overwhelmed by tides of nationalist passion.

Focus on Individual Rights

THE CORNERSTONE of the solution to this dilemma is a human rights policy focused firmly on individual, rather than collective, rights. The demise of communism has not ended assaults on individual rights. In some areas of the

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world communism's disappearance has only increased the number of actors, governmental and nongovernmental, bent on depriving individuals of their rights to free speech, to security from torture, to travel and to all the rights enumerated in the 1948 U.N. Universal Declaration of Human Rights. U.S. support for those rights is the reason that, in benighted countries around the world, pictures of American presidents still hang on the walls of impoverished homes. It is the reason that the Chinese students in Tiananmen Square fashioned a Goddess of Liberty like the one in New York's harbor. Clear and consistent support for those rights can provide the foundation of America's role in the postcommunist world.

"Minorities that are treated properly by their governments, as individuals, will probably be less likely to join separatist movements."

At the same time the United States should resist the trend toward expanding collective rights. A policy based on American support for collective rights, including political self-determination, will inevitably fail. First, it would tend to put the United States increasingly in the position of arbiter among conflicting claims to a particular homeland. These claims are generally rooted in assertions about ancient history that are difficult to prove one way or another. No one is likely ever to know with certainty, for instance, whether Romanians or Hungarians were the original inhabitants of Transylvania. Second, it would inevitably be applied selectively. The United States could conceivably support the right of Iraq's Kurds to self-determination, but it is never going to support the right of Scots, for instance, to secede from an unwilling Great Britain. A human rights policy applied selectively deservedly loses much of its moral authority. Third, the expansion of internationally recognized collective rights could lead to conflict with American domestic policies. The United States cannot, without a fatal measure of hypocrisy, demand that foreign governments grant minority languages equal status and simultaneously insist on the dominant role of English within its own borders.

The appropriate American attitude toward collective rights is a skeptical neutrality. The United States should not be in favor of expanding the list of internationally recognized collective rights. Nor should it be against the decision of

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individual countries to grant their minorities more rights, including the right to secede and create new independent states. If American policy concerns itself with whether governments afford their people, as individuals, the full spectrum of political rights—the right to speak out and publish, the right to form associations, the right to worship, the right to call for change without fear of repression—then the issue of collective rights will in many cases take care of itself.

Minorities that are treated properly by their governments, as individuals, will probably be less likely to join separatist movements. If they do, the burden will be on governments to respond to their grievances without recourse to violence or repression. In extreme cases governments might decide that they cannot both respect human rights and prevent the secession of an unhappy minority. In those cases an American emphasis on respect for individual rights will marginally improve the chances for a peaceful transition to a new, mutually acceptable political arrangement, such as the transition made in the Soviet Union in late 1991.

In practice this policy would yield some immediate practical benefits. In the case of the Arab-Israeli conflict, for instance, it would shift the focus of American efforts away from persuading Israel that the Palestinians have a collective right to establish a homeland in the West Bank. As long as a significant number of Israelis believe that God gave the West Bank to them, they are unlikely to accept this argument. Instead the United States should insist that Israel, if it wishes to retain the West Bank and Gaza, extend to Palestinians under its control the full panoply of human and political rights, including the right to form parties and to vote. Eventually the Israelis might find it in their own best interest to seek a division of territories and let the Palestinians go their separate way.

In many conflict areas this policy would initially disappoint minority groups that would like to secede; they are likely to accuse the United States of betraying them. Others would point out, accurately, that such a policy would in effect discriminate in favor of Ukrainians, Latvians and other groups whose independence movements crested during the Cold War, and against groups like Ossetians and Tatars whose movements arose later. But it is a policy that would endeavor to protect afflicted minorities while buying time to let national passions cool and to develop the economies and civic traditions that characterize countries where different ethnic groups

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manage to coexist. It is obviously utopian, now, to prescribe a Swiss-style settlement for a region like Nagorno-Karabakh. But all the successful multi-ethnic models that exist start with strict respect for individual human rights.

No policy will be sufficient to settle conflicts that have already reached the stage of warfare, such as in Yugoslavia. In such instances the United States will have to choose between two options: letting the conflict burn itself out or intervening. The Yugoslav experience suggests that if intervention is the choice, it would be foolish to rely on the nascent CSCE or European Community mechanisms to achieve or enforce a ceasefire. The U.N. Security Council, flawed though it is, remains the best international mechanism for halting bloodshed.

Don't Wait for Trouble

PREVENTIVE ATTENTION to areas of potential danger is much cheaper and more effective than waiting for warfare to begin. The United States, in concert with its allies, needs to add a new dimension to its diplomacy—to develop the skills and machinery to intervene early and quietly in countries that are at risk for outbreaks of ethnic conflict, as well as in countries where conflict has already broken out.

Ethnic conflicts frequently go beyond politics and are rooted in deep-seated animosities and prejudices of warring populations. It is not hard for an observer who visits the scene of an ethnic conflict, like the one between Armenia and Azerbaijan, to discern pathologies in the attitudes of both sides. Combatants in ethnic conflicts are caught in a syndrome that demands that they see their opponents as subhuman, the objects of their own projected fears and self-loathing.

Describing the problem, however, is not the same as correcting it. Every conflict is different, and there is no one policy suitable to every situation. But bringing together representatives of opposing groups in an unofficial private setting, preferably in a neutral country, has proven useful and constructive. Ethnic representatives do not have to be government officials directly responsible for policy. Rather dialogue among community elites—lawyers, academics, journalists and perhaps certain legislators—can often facilitate positive exchange.

The mediators in these conferences try to force the members of each group to see the humanity of the other side. They

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try to nudge each group away from delivering its political manifestos and demands and toward expressing the practical needs of its members. The idea is to talk less of ultimate political solutions, and more of what everyday life might be like in a tolerable and tolerant society.

Members of the Hungarian minority in Romania, for instance, might be encouraged to talk not of separating Transylvania from Romania and joining it to Hungary, but of the contacts and communication they need with fellow Hungarians across the border. The goal is not to hammer out proposals for political settlements but rather to inject new ideas and attitudes into old thinking on each side, which might, in turn, make it possible for political leaders to take the risks necessary to make peace.

The success of such an approach is by no means certain. But it does hold the promise of being more effective than traditional government-to-government diplomacy in preventing the escalation of ethnic hostility. There are at least a dozen simmering conflicts in the former Soviet empire alone where it would be worthwhile to try this kind of "therapeutic" method. The appropriate place for the Clinton administration to locate such an effort is in the State Department's Bureau of Human Rights and Humanitarian Affairs. It might also become a useful tool for the CSCE.

No combination of American human rights policy and practice, no matter how intelligent and innovative, will by itself resolve the long-suppressed conflicts that plague the world in the aftermath of communism. But a policy that emphasizes the protection of individual rights, discourages the expansion of collective rights and promotes early, therapeutic intervention could minimize the possible eruption of such conflicts. More important, it will provide a true moral compass for American policy in the postcommunist world.

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EMPOWERING THE UNITED NATIONS

Boutros Boutros-Ghali

Historic Opportunities to Strengthen World Body

A NEW CHAPTER in the history of the United Nations has begun. With newfound appeal the world organization is being utilized with greater frequency and growing urgency. The machinery of the United Nations, which had often been rendered inoperative by the dynamics of the Cold War, is suddenly at the center of international efforts to deal with unresolved problems of the past decades as well as an emerging array of present and future issues.

The new era has brought new credibility to the United Nations. Along with it have come rising expectations that the United Nations will take on larger responsibilities and a greater role in overcoming pervasive and interrelated obstacles to peace and development. Together the international community and the U.N. Secretariat need to seize this extraordinary opportunity to expand, adapt and reinvigorate the work of the United Nations so that the lofty goals as originally envisioned by the charter can begin to be realized.

Peacekeeping is a Growth Industry

PEACEKEEPING IS THE most prominent U.N. activity. The "blue helmets" on the front lines of conflict on four continents are a symbol of the United Nations' commitment to international peace and security. They come from some 65 countries, representing more than 35 percent of the membership.

Peacekeeping is a U.N. invention. It was not specifically defined in the charter but evolved as a noncoercive instrument of conflict control at a time when Cold War constraints prevented the Security Council from taking the more forceful steps permitted by the charter. Thirteen peacekeeping operations were established between 1948 and 1978. Five of them remain in existence, and are between 14 and 44 years old.

Boutros Boutros-Ghali is Secretary General of the United Nations.

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Peacekeeping has sometimes proved easier than the complementary function of peacemaking. This shows that peacekeeping, by itself, cannot provide the permanent solution to a conflict. Only political negotiation can do that.

During the Cold War years the basic principles of peacekeeping were gradually established and gained acceptance: the consent of the parties; troops provided by member states serving under the command of the secretary general; minimum use of force; collective financing. It was also learned, often the hard way, that peacekeeping success requires the cooperation of the parties, a clear and practicable mandate, the continuing support of the Security Council and adequate financial arrangements.

"The former Yugoslavia has become the United Nations' largest peacekeeping commitment ever."

The end of the Cold War has led to a dramatic expansion in demand for the United Nations' peacekeeping services. Since 1988 14 new operations have been established, five of which have already completed their mandates and been disbanded. In the first half of 1992 the number of U.N. soldiers and police officers increased fourfold; by the end of the year they will exceed 50,000.

Some of these new operations have been of the traditional, largely military type, deployed to control unresolved conflicts between states. Examples are the military observers who monitored the ceasefire between Iran and Iraq from 1988 to 1991 and those who currently patrol the demilitarized zone between Iraq and Kuwait.

But most of the new operations have been set up to help implement negotiated settlements of long-standing conflicts, as in Namibia, Angola, Cambodia, El Salvador and Mozambique. Namibia was a colonial situation but each of the other four has been an internal conflict, albeit with significant external dimensions, within a sovereign member state of the United Nations.

There is another aspect to the end of the Cold War. The thawing of its frozen political geography has led to the eruption of savage conflicts in, and sometimes between, newly emerging independent states. The former Yugoslavia has become the United Nations' largest peacekeeping commitment ever. Ethnic conflict across political borders and the brutal

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killing of civilians there are reminiscent of the ordeal that U.N. peacekeeping forces faced in the 1960s in the then Congo. U.N. forces again are taking an unacceptable level of casualties. It is difficult to avoid wondering whether the conditions yet exist for successful peacekeeping in what was Yugoslavia.

The 1990s have given peacekeeping another new task: the protection of the delivery of humanitarian supplies to civilians caught up in a continuing conflict. This is currently underway in Bosnia-Herzegovina and Somalia, member states whose institutions have been largely destroyed in a confused and cruel web of civil conflicts. This task tests the established practices of peacekeeping, especially the circumstances in which U.N. soldiers may open fire. Existing rules of engagement allow them to do so if armed persons attempt by force to prevent them from carrying out their orders. This license, used sparingly in the past, may be resorted to more frequently if the United Nations is to assert the Security Council's authority over those who, for personal gain or war objectives, try to rob or destroy humanitarian supplies destined for suffering civilian populations.

Beyond Peacekeeping

ALL THESE NEW modes of peacekeeping have had far-reaching implications for the way in which U.N. operations are organized and conducted.

In internal conflicts, or indeed in interstate conflicts where one or other of the governments is not in a position to exercise full authority over territory nominally under its control, not all the parties are governments. As a result the peacekeepers have had to learn how to deal with a multiplicity of "authorities." The leaders of such groups are often inaccessible and their identity even unknown; chains of command are shadowy; armed persons who offend against agreements signed by their supposed leaders are disowned; discipline is nonexistent or brutal. And everywhere there is an evil and uncontrolled proliferation of arms.

Peacekeeping operations still invariably include military personnel. But now the civilian elements often have an even more important role. This is especially true when the task is to help implement comprehensive and complex settlements, as was or is the case in Namibia, El Salvador, Cambodia and Mozambique. Political action is required to resolve disputes

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between the parties and persuade them to implement the agreed arrangements. Information programs must explain the United Nations' role and advise the people of the opportunities the settlement gives them. Refugees must be brought home and resettled. Elections must be observed and verified or even, in Cambodia, organized and conducted by the United Nations.

Local police must be monitored to ensure that they carry out their duties in the spirit of the new order and not the old. Respect for human rights must be verified, an especially important task in El Salvador and Cambodia. In the latter country the United Nations also has responsibility for controlling the key parts of the existing administrative structures.

All of these tasks, some of them very intrusive, must be carried out with complete impartiality by civilian peacekeepers. Staff members of the U.N. system, with policy and election observers made available by member states, have risen to these new civilian challenges.

The involvement of such a variety of civilian personnel, alongside their military colleagues, creates a need for tight coordination of all aspects of an operation. As a result it has become normal for the overall direction of a multifaceted peacekeeping operation to be entrusted to a senior civilian official as special representative of the secretary general, to whom the force commander, the police commissioner, the director of elections and other directors report.

Responses Must Be Quick

ONE OF THE LESSONS learned during the recent headlong expansion of U.N. peacekeeping is the need to accelerate the deployment of new operations. Under current procedures three or four months can elapse between the Security Council's authorization of a mission and its becoming operational in the field. Action is required on three fronts: finance, personnel and equipment.

On finance, the member states should provide the secretary general with a working capital fund for the start-up of new operations, so that cash is immediately available. They should also revise existing financial procedures so that the secretary general has authority to spend that cash, within reasonable limits, as soon as the new operation is authorized.

The question of personnel is more complicated. Procedures

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for the transfer of U.N. staff to new operations in the field are being simplified for more rapid reaction. But most peacekeeping personnel (troops, police, election observers) are made available by governments. The answer is not to create a U.N. standing force, which would be impractical and inappropriate, but to extend and make more systematic standby arrangements by which governments commit themselves to hold ready, at an agreed period of notice, specially trained units for peacekeeping service.

A handful of governments already do this. A recent invitation to all member states to volunteer information about what personnel and equipment they would in principle be ready to contribute, if asked, produced disappointing results. I have now decided to take the initiative and put specific proposals to governments, in order to identify with reasonable certainty sources of military and police personnel and equipment that governments would undertake to make available at very short notice. These commitments would constitute building blocks that could be used, when the moment came, to construct peacekeeping operations in various sizes and configurations, ranging from a small group of military observers to a full division, as required.

Allied with this effort will be the provision of more extensive guidance to governments on training troops and police who they may contribute to the United Nations for peacekeeping duties.

Equipment can cause even greater bottlenecks than personnel. There are two complementary ways in which this problem can be eased. First, member states should make it possible for the United Nations to establish a reserve stock of basic items (vehicles, radios, generators, prefabricated buildings) that are always required for a new peacekeeping operation. Second, member states could agree to hold ready, at various locations around the world, reserves of such equipment. These would remain their property but could be made immediately available to the United Nations when the need arose.

An even more radical development can now be envisaged. It happens all too often that the parties to a conflict sign a ceasefire agreement but then fail to respect it. In such situations it is felt that the United Nations should "do something." This is a reasonable expectation if the United Nations is to be an effective system of collective security. The purpose of peace enforcement units (perhaps they should be called "ceasefire

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enforcement units") would be to enable the United Nations to deploy troops quickly to enforce a ceasefire by taking coercive action against either party, or both, if they violate it.

This concept retains many of the features of peacekeeping: the operation would be authorized by the Security Council; the troops would be provided voluntarily by member states; they would be under the command of the secretary general; and they would be impartial between the two sides, taking action only if one or other of them violated the agreed ceasefire. But the concept goes beyond peacekeeping to the extent that the operation would be deployed without the express consent of the two parties (though its basis would be a ceasefire agreement previously reached between them). U.N. troops would be authorized to use force to ensure respect for the ceasefire. They would be trained, armed and equipped accordingly; a very rapid response would be essential.

"U.N. troops would be authorized to use force to ensure respect for the ceasefire."

This is a novel idea that involves some obvious difficulties. But it should be carefully considered by the international community as the next step in the development of the United Nations' capability to take effective action on the ground to maintain international peace and security.

Unpaid Bills

THERE HAVE BEEN prolonged delays by member states in meeting their financial obligations regarding peacekeeping operations. For instance, four months into one of the largest and most complex U.N. operations ever, only nine member states had fully paid their obligations to the U.N. Transitional Authority in Cambodia. Delays in payment add to the fragility of an already delicate mission by hampering the United Nations' capacity to deploy and causing delays in the schedule. These in turn threaten the agreed timetable and jeopardize the entire peace process. At a time when the United Nations is being asked to do more than ever, it is being shortchanged by the member states who have breached their

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legal obligations and deprived the United Nations of necessary resources.[1]

These difficulties occur against a background of dramatically increasing costs for establishing and maintaining peacekeeping operations. During the first half of 1992 there was a fourfold increase in peacekeeping costs—from some $700 million to about $2.8 billion. Expenses are likely to rise even higher with new and expanded operations that could be launched in the coming months. Meanwhile the continued failure of most member states to meet their financial commitments to peacekeeping operations and to the United Nations in general is a most serious problem. The continued viability of these missions, as well as the credibility of the United Nations itself, is threatened.

"The activities of the United Nations for peace and security should not be carried out at the expense of its responsibilities for developmemt."

Mounting Development Needs

POLITICAL STABILITY is not an end in itself; it is a condition of durable economic and social development and the fulfillment of the human potential. At the same time inseparable links between peace and development need to be acknowledged and understood. The world has seen the deterioration of economic and social conditions give rise to political strife and military conflict. The activities of the United Nations for peace and security should not be carried out at the expense of its responsibilities for development. It is essential that peace and development be pursued in an integrated, mutually supporting way.

One can point to a number of situations where the United Nations has kept the peace, or at least prevented conflicts from escalating, but the balance sheet on the development side is less than encouraging. A billion people live on less than one dollar a day; children in many parts of the world are dying

[1]*Editor's Note:* The five member states with the largest arrears, in both regular budget and peacekeeping assessments as of October 1992, are the United States, Russia, South Africa, Japan and Ukraine.

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unnecessarily of diseases that could easily be cured; women are striving to be both breadwinners and homemakers in situations of intolerable strain; and there are too few jobs. The crisis is deeper than merely another manifestation of the familiar disparity between the developed nations of the North and the developing South.

No such clear-cut pattern offers itself to our eyes today. East European countries and the former Soviet Union are struggling in their transition toward democracy and market-based economies. Even the nations of the Organization for Economic Cooperation and Development are not immune to economic and social ills. Poverty, unemployment, inequity and growing insecurity exist in virtually every part of the globe. Even rich nations are tempted to turn inward to attend to their own agendas. But today there is no longer any such thing as "someone else's problem"; the globalization of economies and communications deepens our interdependence.

The responsibilities of the United Nations in the field of social and economic development are central to the purposes and principles of the charter: first, because the maintenance of international peace and security is inextricably entwined with economic and social progress and stability; and second, because the promotion of social and economic progress is a specific task given to the United Nations by the charter.

Development policy was significantly shaped by the Cold War and the process of decolonization. When the charter was being framed at San Francisco in 1945, and when most of our current world economic institutions were being created, most of today's states were either colonies, semi-colonies or parts of extensive empires. The notion of "development" was unformed; the concept of the "Third World" had not emerged. The idea that the United Nations should be concerned with economic and social issues sprang from what has been called "welfare internationalism," which evolved in wartime planning for the peace and was a formative influence on the Bretton Woods institutions dating from that period.

As demands for independence gathered momentum in African and Asian lands, programs of assistance and economic cooperation were initiated by former colonial powers. These were joined by assistance programs established by states with no recent colonial past, such as the Nordic countries. Meanwhile the World Bank was becoming the lead institution in the

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channeling of multilateral development finance to developing countries.

Provision of development assistance to newly independent nations became part of the foreign policies of the industrialized countries, intricately bound up with the global contest for power and influence. The United States, through its Agency for International Development, became a major provider of development finance and technical assistance in Africa, Asia and Latin America. The Soviet Union was deeply involved with a relatively small number of states considered potentially significant in its ideological sphere, and provided substantial technical support for them. In both cases development assistance was often interwoven with military aid.

"Bilateral foreign aid programs were often an instrument of the Cold War, and remain deeply affected by considerations of political power and national policy."

Just as the Cold War distorted the vision of collective security set forth in the U.N. Charter, it also impaired cooperation for development. Bilateral foreign aid programs were often an instrument of the Cold War, and remain deeply affected by considerations of political power and national policy. Multilateral development programs, even when managed well and with admirable ethical purpose, derived from ideas and ideologies that proved inadequate at best and in some cases ruinous.

At this time of change in world affairs, when restructuring the institutions of international relations is high on the agenda, there are increasing demands for action in the field of economic and social development. The call for a new unity and clarity of purpose from the United Nations in the field of development—which is now commonly understood to include social and economic development and environmental protection as well—has come from developing and developed countries alike.

Traditionally U.N. social development activities have concentrated on the most vulnerable groups of populations. Increasingly in developing countries efforts at modernization tug at institutions that hold the social fabric together. Declining social cohesion, in turn, can undermine economic prog-

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ress. The organization is beginning to take a closer look at specific phenomena affecting social cohesion and to view the social and economic dimensions of development in a more integrated way. Issues of demography and cultural, religious, ethnic and linguistic diversity are so closely related today to prospects for political stability and economic advancement that the involvement of the United Nations in issues of social development is acquiring a qualitatively different nature.

If the process of decolonization is over and the Cold War has ended, and now that there is no "struggle" or bipolar competition to dramatize and distract development efforts, how can the United Nations seek consensus on the need for a fairer, more just, world and focus on the long-standing needs of the poor?

Today a consensus is emerging around a fundamental perception that the unfettered talents of individual human beings are the greatest resource a society can bring to bear on the task of national development. But the troubled state of the global economy indicates that we are still far from achieving universal economic prosperity, social justice and environmental balance. Cooperation for development will require the greatest intellectual effort in the period ahead because, as understood and applied until now, it has not resolved the urgent problem of the development of the planet. The need is comprehensive. Issues once approached separately, or sequentially, now may be seen as essentially indivisible.

Changed View of Sovereignty

THE TRANSITION FROM one international era to another is symbolized today, as it has been at earlier turning points in the history of the United Nations, by a new group of member states taking their seats in the General Assembly. (Armenia, Azerbaijan, Bosnia-Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, San Marino, Slovenia, Tajikistan, Turkmenistan and Uzbekistan all joined in 1992.) Their entrance reaffirms the concept of the state as the basic entity of international relations and the means by which peoples find a unity and a voice in the world community.

While respect for the fundamental sovereignty and integrity of the state remains central, it is undeniable that the centuries-old doctrine of absolute and exclusive sovereignty no longer

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stands, and was in fact never so absolute as it was conceived to be in theory. A major intellectual requirement of our time is to rethink the question of sovereignty—not to weaken its essence, which is crucial to international security and cooperation, but to recognize that it may take more than one form and perform more than one function. This perception could help solve problems both within and among states. And underlying the rights of the individual and the rights of peoples is a dimension of universal sovereignty that resides in all humanity and provides all peoples with legitimate involvement in issues affecting the world as a whole. It is a sense that increasingly finds expression in the gradual expansion of international law.

". . . the centuries-old doctrine of absolute and exclusive sovereignty no longer stands, and was in fact never so absolute as it was conceived to be in theory."

Related to this is the widening recognition that states and their governments cannot face or solve today's problems alone. International cooperation is unavoidable and indispensable. The quality, extent and timeliness of such cooperation will make the difference between advancement or frustration and despair. In this setting the significance of the United Nations should be evident and accepted. Nothing can match the United Nations' global network of information-gathering and constructive activity, which reaches from modern world centers of power down to the villages and families where people carry out the irreducible responsibilities of their lives.

At the other end of the scale only the United Nations can convene global-scale meetings of ministers and heads of states or governments to examine complex issues and propose integrated approaches. Such gatherings can have enormous implications for the world's good. At the Conference on Environment and Development in Rio de Janeiro in June 1992, for example, states obligated themselves to take global consequences into consideration in their domestic decisions. This is a fundamental philosophic undertaking by the world's nations, adding one more pillar to the gradually growing array of internationally accepted principles of national conduct.

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Reforming the U.N.

RENEWING THE PROMISE of an effective and cooperative United Nations means, in the first instance, reform of the organization and the broader system of specialized agencies from within. There is much that can be done now, but it must be understood that this will be an evolutionary process. The world is still in some ways in its "Middle Ages" when it comes to international organizations and cooperation. Centuries were required before the struggle among monarchical and baronial forces was transformed into states capable of carrying out responsibilities in the fields of security, economy and justice. There is no doubt that the institutions of the U.N. system must travel such a path if chaos is to be avoided.

Given firm leadership and a common resolve by member states I am confident that major achievements can be made by the end of this century.

To initiate reform from within I launched, soon after taking office a year ago, a process of restructuring the U.N. Secretariat. My first short-term aim was to eliminate duplication, redundancy and excessive layering of offices and duties at headquarters. This process has brought some results and must continue toward a coherent institutional strategy.

The Administrative Committee on Coordination is the highest body bringing together the executive heads of all the specialized agencies and organizations of the U.N. system. This committee must act more definitively to guide and harness the work of the various organizations of the system.

Similarly, the Economic and Social Council, despite its preeminence in the charter, has proved too weak to provide coherence and form to the work of the specialized agencies, the Bretton Woods institutions, the regional economic commissions and the array of U.N. programs. Duplication is widespread; coordination is often nominal; bureaucratic battles aimed at monopolizing a particular subject are rife, and organizational objectives are sometimes in conflict.

The proliferation of institutions that characterize U.N. work in the economic, social and environment fields has been another product of previous decades. Member states often pressed for measures on a piecemeal basis. Bureaucracies were sometimes set up as substitutes for problem-solving and served, in some cases, to camouflage problems rather than expose them to serious attention.

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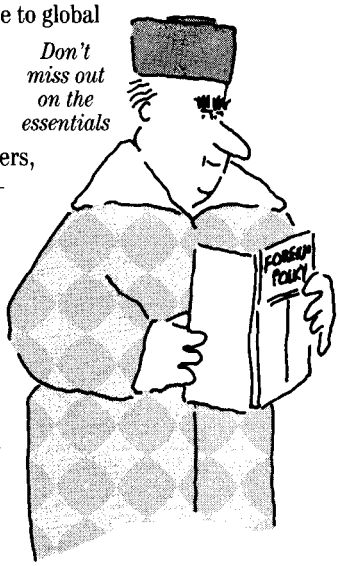

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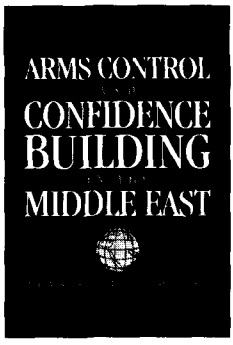
Arms Control and Confidence Building in the Middle East

$13.95 (paper),
1-878379-18-6, 160 pp.,
6 x 9, September 1992

Alan Platt, editor



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CONTENTS/CONTRIBUTORS: Confidence- and security-building measures/Richard Darilek and Geoffrey Kemp; Role of Aerial Inspections/Michael Krepon and Peter Constable; Proliferation of Ballistic Missiles/Seth Carus and Janne Nolan; and Chemical Weapons/Charles Flowerree and Brad Roberts.

A Directory of U.S. Resources on the Rule of Law for the Independent States of the Former Soviet Union

$14.95 (paper), 1-878379-16-X, 288 pp., 8 1/2 x 11, October 1992

An up-to-date survey of U.S.-based resources and initiatives to advance the rule of law in the independent states of the former Soviet Union. Provides detailed descriptions of over 160 groups and institutions. Information includes technical assistance; grants, fellowships, and exchanges; internships and scholarships; publications; and conferences.

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I have recommended the introduction of a flexible high-level intersessional mechanism to enable the council to respond in a continuous and timely way to new developments in the economic and social sphere. It should possess an early-warning function encompassing threats to security and well-being: from energy crisis to the burden of debt, from the risk of famine to the spread of disease. As the Security Council can envision new possibilities in the cause of peace, so the Economic and Social Council's role can be significantly strengthened. At this time when old conceptions of development are fading and new departures are required, each element of the U.N. system will need to reexamine and justify anew its mission and the human and financial resources it employs.

The Interaction of Peoples

NEW POSSIBILITIES exist for shared, delegated and interactive contributions to the world organization from the burgeoning number of regional associations and agencies and the huge network of nongovernmental organizations that in the past largely operated from North America and Europe but increasingly are a feature in countries all over the world. More than a thousand NGOs are active in the United Nations, working through and with people everywhere.

There is an even deeper level to this trend: relationships among nations are increasingly shaped by continuous interaction among entire bodies politic and economic. Such activity almost resembles a force of nature, and indeed may be just that. Political borders and geographic boundaries pose slight barriers to this process. Governments increasingly prove ineffective in efforts to guide or even keep track of these flows of ideas, influences and transactions. The challenge for the foreseeable future will be to make sense of these evolving relationships between and among peoples.

"Governments increasingly prove ineffective in their efforts to control, guide or even keep track of these flows of ideas, influences and transactions."

As one area for such efforts, I have put forward the concept of "post-conflict peace-building." In the aftermath of warfare, concrete cooperative projects that link two or more countries

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and peoples in a mutually beneficial undertaking can not only contribute to economic and social development but also enhance the confidence that is so essential to peace. Freer travel, cultural exchanges, youth projects and changes in educational practices all could serve to forestall a reemergence of cultural and national tensions that could spark renewed hostilities. Post-conflict peace-building will be needed not only in cases of international conflict, but also for the increasing number of intrastate, internal conflicts arising today.

Changing U.N. Culture

THE SPIRIT OF the U.N. Charter was kept alive for decades under very difficult circumstances. Hope has been crucial; achievement is now required. Beyond declarations, beyond position-taking, the time is here to look at ideas as plans for action. Beyond restructuring, the culture of the United Nations must undergo a transformation.

The bipolar contest relegated the United Nations to a status far removed from its original design. A propensity to rhetoric, to protocol and a delight in maneuvering for marginal advantage or national prestige came to characterize many delegations' activities. Committees and commissions have been assigned important duties only to find governments participating through assignment of lower level officials, unauthorized to engage seriously. Time is too precious and the tasks too urgent today to permit these indulgences.

In the Cold War era a fundamental split was taken for granted on virtually every issue. We have been relieved of that burden. But we cannot expect to be free of controversy, dispute or debate. The problems before us are complex and the solutions not at all obvious. If we work seriously on them, we must expect serious differences of opinion. Rather than be deterred by this we should be grateful and eager to engage in the intellectual struggle that is needed. Sharp differences are inevitable, but consensus is possible. I am committed to a broad dialogue between the member states and the secretary general. Preserving the world authority of the United Nations requires the fullest consultation, participation and engagement of all states, large and small. This in turn requires the empowerment of people in civil society and a hearing for their voices at all levels of international society and institutions.

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RUSSIAN NATIONALISM

Walter Laqueur

A Time of Troubles Fuels the Right

ONCE AGAIN RUSSIA is entering a *smuta*, a time of troubles, the outcome of which cannot be predicted. Only one thing is certain: the reappearance of a nationalist movement, one firmly believing that Russia's rightful role as a great power can only be saved by a strong authoritarian government. For many years students of Russia focused on the left; having been decisively defeated in 1917, the right no longer counted politically, and ideologically it had nothing of interest to offer. Yet today the whole spectrum of Russian politics has moved to the right and become more nationalist.

This trend is a reaction to the breakup of the Soviet Union and is bound to continue. Much nationalist sentiment could be contained or assuaged if moderation and common sense prevailed. But those attributes are always in short supply in times of crisis. Millions of Russians still reside in the former republics of the empire, and separatist groups inside Russia itself insist on autonomy and even full independence. Allowed free rein such pressures threaten the survival of the Russian republic.

Given the strongly nationalist moods that also prevail among the non-Russian republics and ethnic groups, the stage is set for collision. The age of aggressive nationalism and nationalist conflict that ended in western Europe, by and large, in 1945 has returned with a vengeance in eastern Europe and the former Soviet Union. Thus present conditions in Russia are not conducive to consolidating democratic ideas and institutions. Nationalist forces, some of the extreme right, others moderate, have a reasonable chance in the struggle for Russia's soul and political future, at least in the short run.

Walter Laqueur is Chairman of the International Research Council at the Center for Strategic and International Studies in Washington, D. C.

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Competing Ideas of Nationalism

FOR ALL ITS NUANCES and tendencies the supreme moral authority of Russian nationalism is academician Dmitri Likhachev, the grand old man of Russian historiography and letters. Neither a politician nor head of any party, he stands to many Russians, except those of the extreme right, as the conscience of the nation. With emphasis and eloquence he has argued that true patriotism spiritually enriches the individual, as it does the nation, and that patriotism is the noblest of feelings.

Members of the educated Russian public who constitute the national liberal camp share many of Likhachev's views. As moderate nationalists they are perhaps comparable to European conservatives, with an emphasis on patriotism and in many, but not all cases, a shared religious faith. They want a free Russia (not necessarily patterned on Western democracy) and are deeply saddened by the loss of large territories populated predominantly by Russians. Among the national liberals are, for example, Sergei Averintsev, a distinguished historian of medieval culture and theology; Alexander Tsypko, one of the political scientists who acquired fame in the glasnost era; some editors of the literary magazine *Novy Mir* as well as literary critics such as Igor Vinogradov and Alla Latynina. Above all there is Aleksandr Solzhenitsyn and his circle.[1] Finally there are political leaders from Boris Yeltsin to Anatoly Sobchak and Sergei Stankevich who, following the downfall of the Soviet Union, insisted with increasing frequency and intensity on Russian concerns and interests.

It is probably easiest to define the national liberals if they are compared with the radical democrats, who exist by and large in the Sakharov tradition and are comparable to the West's liberal democrats. For radical democrats the creation of democratic institutions is paramount; the absence of such institutions was the main cause of Russia's misfortunes, and they fear that individual freedom will not be secure until democratic institutions are firmly entrenched. The radical democrats have no wish slavishly to imitate the West, but nor do they feel any urge to follow a decidedly Russian social and economic policy.

[1]There has been, not surprisingly, constant ideological fluidity. While Solzhenitsyn has been defended against the democrats by liberals, such as G. Pomerants and A. Nemtser, some of the erstwhile Christian Democrats (A. Gulyga, Y. Kublanovsky, V. Aksiuchits) have moved toward the right.

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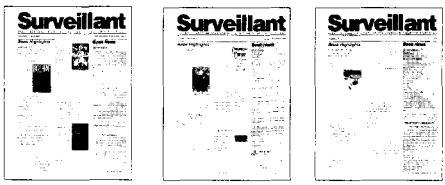

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They see no specific Russian tradition that could now serve as a guide for the perplexed.

Most radical democrats are not religious. They regard the loss of traditional Russian territories as a misfortune but see no way to undo it, at least not in the foreseeable future. They have no agreed program for Russia's economic system. Some support a classical liberal philosophy along the lines of Hayek and Friedman, others are Social Democrats. They strongly insist on a multiparty system and regard the extreme right (as opposed to the more moderate national liberals) as the main danger that, if in power, would lead Russia back to tyranny, war and total disaster. They love the culture of their native land; in fact they are often more Russian—in the tradition of the nineteenth-century intelligentsia—than they know. But they are pitiless in their criticism of the dark side of Russia's past. They are open to Western influences, and their feeling of nostalgia for old Russia is not as intense as that of the national liberals.

"Most believe that the price that had to be paid of late for freedom was probably too high."

Given Russia's past and the enormous difficulties ahead, national liberals think that an (enlightened) authoritarian regime is more or less foreordained.

They hope that religion will play a crucial role in the future. They tend to idealize pre-1917 Russia and envisage a political and social regime not altogether unlike the one prevailing then—of course cleansed of its negative features but in line with old Russian traditions. Most believe that the price that had to be paid of late for freedom was probably too high. What future is there for a Russia deprived of the Ukraine, White Russia, the Crimea and predominantly Russian northern Kazakhstan?

This is the strongest point in their thinking, and it is shared to some extent by the radical democrats. The Balkanization of the former Soviet Union is a tragedy; it will certainly make democratization infinitely more difficult. It is paradoxical that at a time when borders are disappearing in western and central Europe, the trend in the east is toward secession and separatism. While on a level of abstraction every nationality, even the smallest, has the right of sovereignty, objective factors—not least the intermingling of races and people in the

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modern world—make this often impossible. There is no moral commandment that they should exert their abstract right.

Soviet rule was in some cultural respects less repressive than tsarist rule toward the nationalities. But Soviet experiments at coalescence (*slyanie*) were unsuccessful, since they were imposed from above. Resentment against Moscow grew and, once political controls were removed, there was no holding back the nationalities from seceding, whatever the cost. In the Soviet Union and tsarist Russia membership in a multinational state had certain advantages, like being part of a prestigious club. But once the reputation of that club declined sharply, this specific motive disappeared.

If Russia had tried to accommodate Ukrainian nationalism, the split might never have occurred. But a serious attempt based on true federation involving home rule was never made and, once the majority of Ukrainians had voted for full independence, there was little the new Russian leadership could do to maintain the union. A closer relationship may emerge in the distant future, once the dreams attached to sovereignty fade. In the meantime, however, Russian patriots will only feel impotent frustration at having to exist without Kiev, the cradle of Russian culture and statehood. The only alternative from a Russian "patriotic" point of view is to invade Ukraine, hardly a practical proposition.

Trauma of Soviet Breakup

THE BREAKUP of the Soviet Union is the central event bound to shape the course of Russian nationalism and Russian politics as far ahead as one can see. It could be compared with the impact of the 1919 Versailles Treaty on postwar Germany and with the loss of North Africa for France in the 1950s and 1960s. Versailles, with the concomitant feeling of national humiliation, was one of the main factors in the rise of National Socialism; the retreat from North Africa brought France to the brink of civil war.

Seen in retrospect the losses suffered by Germany and France were far from fatal. Germany lost its unimportant colonies and a few provinces such as Alsace Lorraine, Poznan and parts of Upper Silesia, inhabited largely by reluctant Germans. The loss of the Maghreb resulted in the exodus of several hundred thousand French citizens. The new Russia, on the other hand, has no more than half the population of the

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old Soviet Union, and many millions of ethnic Russians now live outside Russia; they have become ethnic minorities at the mercy of new not-so-tolerant masters.

Ten years after the loss of the Maghreb, France was better off and at greater peace with itself than ever before. Seventy years after Versailles, forty years after another lost war, Germany is the strongest country in Europe.

The Russian shock, however, is more severe. True, the loss of empire had not come as the result of military defeat. True, some Russian nationalists had argued for a long time that their country would be better off without the Central Asian republics and perhaps also the Caucasus. Russia, they claimed, had been exploited and in some ways subverted by the non-Russian republics. Russian nationalists such as writer Valentin Rasputin had suggested well before August 1991 that Russia should take the initiative and leave the union. But imperial ambitions and feelings of historical mission were still very much present and, in any case, no one had assumed that the Slavic republics would secede.

"There is growing anger about the treatment of the Russians outside Russia."

The full extent of the trauma is realized only as time goes by. As in Germany after 1918 there was much readiness to accept all kinds of "stab in the back" theories—the disaster had been caused by Russia's sworn enemies abroad and at home. There was growing resentment particularly against the ingrates in the Baltic countries, Ukraine, Moldova but also the Caucasus, who had after all benefited to no small extent from Russian help and protection. There is growing anger about the treatment of the Russians outside Russia. Is it not the duty of the Russian government to protect Russian interests outside the borders of the old Russian Federation? Had not all self-respecting countries throughout history been ready to protect the lives and interests of fellow citizens if these had been in jeopardy?

This mood is widespread and would have been suicidal if the radical democrats and national liberals had left patriotism and the defense of national interests to the extreme right. As in Germany after Versailles it would have been tantamount to surrendering the country to extremists. The great danger is that the republics that seceded might prove increasingly recalcitrant in their nationalist intoxication, unwilling to accommo-

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date legitimate Russian interests. This in turn would make the Russians even more resentful and hostile, prompting conflicts even less amenable to solution. Appeals to reason in such circumstances are bound to fall on deaf ears, and the stage is set for an outburst of the worst instincts. This was the lesson of the new order established after Versailles.

Russia, it is sometimes said, has been condemned by history and geography to be a great power. But what if the forces of cohesion should be weaker than generally believed? What if the disintegration of the Soviet Union should be followed by the disintegration of Russia and the emergence of several smaller independent or semi-independent units, such as Tatarstan, Siberia Yakutia and others? This possibility had been discussed even before the Soviet Union ceased to exist, and it certainly cannot be ruled out at the present time.

The argument runs approximately as follows: it is easy to imagine Russia as a great power or as a multitude of small units. Anything in between would be unstable and unlikely to last. True, there are forces opposing further disintegration, the Russian nationalists and the old communists on the one hand, and the West on the other. But how strong are they? The West wants a new world order in which peace and quiet prevail, so as to be able to cultivate its own garden. A united Russia, provided it is not too strong, would serve Western interests better than a chaotic state of affairs, which would create new political and economic problems, possibly a stream of refugees and, generally speaking, an enormous zone of insecurity extending from St. Petersburg to Vladivostok.

The assumption that political conditions in Russia will become normal as the result of successful economic reform cannot be taken for granted. Quick improvement in the economic situation is unlikely and, in any case, man does not live by bread alone. People need spiritual beliefs, myths and symbols, and some countries such as Russia need them more than others. Human existence is not a financial balance sheet, a series of profits, losses, allocations and budgets.

In this respect postcommunist Russia is a desert. Both communism and nationalism are adrift; this is why they may find it easy to get together on some common ground. The churches seem to have neither the message nor the apostles that could generate the energy, enthusiasm and willingness for sacrifice that will be needed in the years to come. Such a vacuum opens the door to all kinds of madness.

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After the Second World War Germany and Japan succeeded in rebuilding prosperous and civilized societies without the benefit of a specific German or Japanese idea or faith. True, their defeat had been total, which made it easier to make a new start and shed outdated beliefs. It would have been suicidal for Germans, Italians or Japanese to refuse to accept their fate; they had to accept it to survive. The Russians, on the other hand, were not defeated in war. On the contrary successive generations were educated in the belief of their invincibility, military and otherwise. In these circumstances a truly new beginning is psychologically much more difficult.

Who Belongs to the Nation?

IN A TIME of deep crisis the negative ugly aspects of Russia's past—tyranny, darkness and servitude—tend to overpower Russia's beautiful and harmonious features. But there always was a Russia that was a source of pride to its sons and daughters, a Russian people described by J. G. Kohl in an 1842 guidebook as showing "great cheerfulness in the midst of desperation, very tolerably agreeable and gay."

Other foreign visitors, while writing scathingly of the psychological effects of despotism, also noted Russian hospitality and kindness toward perfect strangers, the sense of charity and *shirokaya natura*—the generous nature of the Russian people. They had much to say about Russia's many great talents and cultural achievements, a literature that went further back in time than English, French and German, a folklore as rich as the Russian language and folk songs, sentimental, sad or gay, as moving and beautiful as any in the world. Russia's openness to new influences, they also remarked, was perhaps greater than any other country.

Nature played a crucial role in the development of a specific character of the Russian people—the infinite, open spaces, the Russian forest and majestic streams. No people has been closer to nature than the Russian, and no authors have more lovingly written about it. True, much of this belongs to a rural Russia that is gone forever. But neither the golden nor the silver age of Russian culture emanated from rural communities. If, as Likhachev and others believe, there will be yet another cultural renaissance, it will again come from the cities.

The greatness of Russia has never been in dispute, and the greater the achievements, the greater the pain felt at the end

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of seventy years of ruin and destruction. Where the national liberals (and a fortiori the extreme rightists) have gone wrong is in believing that only they have been feeling the pain, whereas the radical democrats are "cultural nihilists," ignoring or despising everything Russian. This is not even correct with regard to the old Soviet regime; if under Lenin, Stalin and their successors irreplaceable monuments were destroyed and other horrible damage done, it is also true that many more copies of the Russian classics were printed (and performed and exhibited) than in the seventy years before the revolution. A wholly negative attitude toward traditional Russian culture prevailed only for a few years under Soviet rule and only in a few disciplines.

The accusations against radical democrats of harboring a nihilistic attitude toward Russian history and culture are untrue, unless of course one implies that a true patriot has to admire and cherish everything that happened or was produced before 1917, however evil, ugly or stupid—for "our country, right or wrong." The charges of cultural nihilism and "cosmopolitanism" on the part of the extreme right are red herrings—with some exceptions, such as the role of the Orthodox Church in a future Russian society. Not all those on the right are religious believers, and not every one on the left is an atheist. But it is true that the democrats, by and large, stand for a secular society, whereas the right, including the national liberals, is willing to give the Orthodox Church a central role in the political life of the country.

"Russian nationalists of the extreme right claim that patriotism, nationalism and chauvinism are synonyms."

Russian nationalists of the extreme right claim that patriotism, nationalism and chauvinism are synonyms.[2] In their hearts and politics they differentiate little between patriotism and nationalism. As they see it, nationalism is the most sacred inspiration in life; only through belonging to a nation (or a folk) does the life of the individual gain spiritual meaning; differences between nations are fundamental and commitment to one's nation transcends all other obligations.

[2]"Spravochnik patriota chernosotensa," *Russkii Traktir*, no. 1, 1992.

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Who belongs to the nation? Only ethnic Russians who also belong to the Orthodox Church. Catholics, Muslims, Protestants or Jews can be Russian subjects, they can be tolerated and given freedom of religious practice, they even can be given certain civic rights. But since "Holy Russia" is meaningless for them, they cannot be true Russians.[3] Some enlightened souls on the right are willing to make concessions; certain individuals of non-Russian blood can become true Russian patriots and identify themselves thoroughly through a great effort and their willingness to sacrifice for the motherland. But these will always be a very few. Others, more extreme, will not make exceptions whatsoever: a Jew baptized is a thief pardoned, as a Russian proverb says.

This kind of argument involves the extreme right in many problems and inconsistencies for which there might be no answers. The religious test for membership in the Russian nation is senseless in the postcommunist era. According to the most favorable polls less than half the Russian population are religious believers, let alone practicing members of the Orthodox church.[4] To replace the religious with a racial test for belonging is not feasible, partly because as a result of Nazism this kind of doctrine has become impossible to accept by all but a few sectarians. Even if it were different, racial doctrine would not be applicable in a country with so much intermingling of peoples and races.

Russia's national liberals (moderate conservatives) hope for peaceful cooperation, a joining of forces in the reconstruction and healing process in a country that has seen so much strife. But there can be collaboration only if there is common ground. With the extreme right's crucial emphasis on Russian exclusivity, fear of anti-Russian intrigues, its deep enmity against cosmopolitans and cultural nihilists, its psychological need for enemies, can the Russian right envisage the removal of barricades, which it may need as much as Erich Honecker needed the Berlin Wall?

The basic differences between liberal western and authori-

[3]This has been the prevailing view since the later Slavophiles. Quoted from Ivan Aksakov, "Myslima li Russkaya narodnost vne Pravoslaviya?" An article originally published in *Den*, Aug. 1, 1864; republished in *Russkii Rubezh*, no. 4, 1992.

[4]According to a September 1991 *Vox populi* poll, 51 percent of women and 27 percent of men surveyed considered themselves religious believers, not necessarily of the Orthodox Church.

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tarian eastern nationalism have been noted for a long time.[5] Nationalism in the West emerged in countries that were ethnically more or less homogenous or whose borders were at least well defined; they were economically and culturally highly developed. Nationalism in eastern Europe (and in the Third World) arose—or was invented—in conditions that were altogether different; hence its anti-liberal character, the suppression of minorities, the frequent conflicts and wars with neighbors and generally destructive character. True, not all western nationalism always behaved according to these high standards. But since the bitter lessons of two world wars, western nationalism has, by and large, lost its aggressive character.

In recent years nationalist politicians and groups have mushroomed all over eastern Europe and the successor states of the Soviet Union. Since their trend is predominantly toward separatism or aggrandizement (or both), their potential for conflict and destabilization is immense. The prospect that moderate nationalism will prevail over its more nasty alternative is uncertain.

There was a time when European rightists rejected freedom, their conversion to modern democracy came only gradually. In the ninety years since it first appeared, the Russian right has not made any significant progress. It has neither advanced toward acceptance of democracy nor has it made the transition to full-fledged fascism. There have been certain changes; nineteenth-century pan-Slavism no longer makes sense in the contemporary world, and it has been replaced by Russophilia.

It is true that as communism is bankrupt and the Soviet Union has fallen apart, a political vacuum has come into being. But it seems unlikely that it will be filled by a native Russian fascism. Soviet leaders, on the whole, shielded their people from a surfeit of information about Nazism and Italian fascism; for over half a century only a handful of books were published on the subject, none of them very illuminating, and many aspects of fascism were altogether taboo. But even the least informed Russian knows that Hitler was not a good man, that the Nazis treated the Russians (not just the communists) as

[5]John Plamenatz, "Two Types of Nationalism," in E. Kamenka, *Nationalism, the Nature and Evolution of an Idea*, London, 1973. The author, a student of Marxism and nationalism, was a native of Montenegro.

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subhumans, that they killed millions of Russians and caused immense destruction. All this is too deep in popular memory to permit a reanimation of Nazism at the present time. The most that can be attempted (and it is tried) is to introduce national socialism through the back door, without any reference to Hitler, Mussolini and historical fascism.

There may be yet another reason that makes it difficult to preach unalloyed fascism in present-day Russia and this is, paradoxically, its resemblance to Stalinism. The Russian extreme right stands for authoritarian government. But the "cult of the individual" such as it existed under Hitler and Stalin cannot be propagated in Russia now except perhaps among the most backward sections of society. The same, mutatis mutandis, applies with regard to the central role of the state party, an essential fixture of fascism. Russians have been immunized, at least for some time to come, against the leading role of a party of this kind under whatever guise.

There are certain features specific to Russia's extreme right, at least with regard to emphasis. This refers above all to Satanism, the Judeo-Masonic plot and xenophobia. All fascist, para- and pre-fascist movements believed to some extent in conspiracies; none liked Jews, freemasons and detractors of their respective history and culture. But in no other country were the ultraright patriots so hypnotized by the intrigues and other hostile actions of enemies that were almost entirely imaginary—and in any case of no great consequence. What could have been the reason—atavistic fear, a feeling of inadequacy and inferiority vis-à-vis the diabolical enemy or perhaps a specific Russian fanaticism? But if such fanaticism had existed, it would have shown itself in other ways, which it did not: there have elsewhere been cases of cultural ultranationalism comparable to present-day Russia. But nowhere has the belief in conspiracies been so pronounced.

Perhaps it is unfair to charge the Russian extreme right with a lack of originality. For the number of doctrinal varieties is as limited on the right as it is on the left. In one form or another all the ingredients of a movement of the extreme right—conservative, fascist or para-fascist—have been used somewhere in the past. As far as fascism is concerned, there is truly nothing new under the sun, except perhaps the fact that in Russia it is postcommunist in character. Only the future will show what this could mean in practice—that, despite all its

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opposition to communism, it may inherit certain of the same essential features.

Authoritarianism Probable

MUCH THOUGHT has been given by students of twentieth-century history to the determinants of the growth and success of fascism. It is by now common knowledge that, as in the case of communism, "objective conditions" are not sufficient by way of explanation. Objective conditions—economic crisis and breakdown or absence of democratic institutions—have frequently existed. But unless there was a führer, a duce, who together with like-minded followers created a dynamic mass movement, such opportunities have passed unused.

Experience does not bear out the assumption that once the objective conditions exist, the leader is bound to appear sooner or later. His presence is a historical accident, and for this reason predictions about the likelihood of the seizure of power by a fascist movement are risky. While it is possible in the case of contemporary Russia, it still seems unlikely, be it only because of the divisive character of the Russian extreme right—not by accident (as Marx would have said) but as a result of the wide variety of interests and inspirations represented in these circles.

"The blueprints for a Russian version of national socialism have existed for a considerable time."

It is easy to think of reasons that seem to favor the growth of some extreme nationalist movement—the feeling of humiliation following the breakup of the Soviet Union; the need to pursue an assertive policy vis-à-vis the former republics in defense of Russian interests and the presence of many millions of Russians abroad; the bad economic situation and the need to engage in unpopular reforms; the frequent impotence of the authorities in face of a breakdown of law and order; the fact that democratic institutions are not deeply rooted in Russia; the traditional psychological need for a strong hand; the old Weimar dilemma of how to run a democracy in the absence of a sufficient number of democrats; the deep divisions on the left.

All these and other circumstances seem to bear out those on Russia's extreme right who have claimed all along that time works for them. Indeed some observers have argued that the

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prospects of Nazism in Germany in 1932 were less good than in present-day Russia—if only because when the German crisis came democratic forces had been in power for more than a decade. And is it not also true that postcommunist Russia is repeating the mistake committed by Weimar—giving absolute freedom to the enemies of democracy?

While full-fledged fascism still seems unlikely in Russia, an authoritarian system based on nationalist populism appears probable. The blueprints for a Russian version of national socialism have existed for a considerable time. They envisage "union between labor and capital," a broad political movement or, in its absence, the security forces assuming the necessary functions of control in society. Such a regime would be a regrettable step backward in Russia's political development, but it would be wrong to classify it as fascist.

To be a good Russian, it is said, one has to cast one's eyes back to the glorious deeds of the virtuous ancestors. This is how patriotic inspiration has been provided everywhere, especially in a time of spiritual as well as political crisis. Totalitarian revolution and liberal reform have failed. Neither the international proletariat nor the fellow Slavs, and certainly not the other nations of the former Soviet Union, have shown enthusiasm to link their fate with Russia's. In these circumstances a retreat to the nation seems the logical and indeed only possible response. Other nations have reacted in a similar way in times of crisis. The Russian slogan *nashe* (ours) is an equivalent of the Irish *sinn féin* (we alone); no phrase has been dearer to the hearts of French nationalists than *la France seule*.

The reference to the glorious deeds of virtuous ancestors, of a golden age, a paradise lost and to be regained, are of course mere myths, for there was no golden age. But myths still have their use and, if all other bonds have broken down, why disparage the appeal to nationalism in order to mobilize a people to undertake the giant efforts that will be needed to extract it from the morass and to build a new base for its existence? The temptation is great, but the doubts whether such an appeal will achieve its aim are even greater. Nietzsche once wrote that to be a good German means to de-Germanize oneself.[6] The same may well apply to Russia in its present predicament. What Nietzsche had in mind was of course not to

[6]*Menschliches-Allzumenschliches*, II, vol. IV, p. 159.

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accept slavishly some foreign model, not to shed old traditions just for the sake of making a break with the past—this had been tried from Peter the Great onwards and did not work too well. What Nietzsche did have in mind was that "if a nation advances and grows, it has to burst the girdle given to it by its nationalist outlook."

What Russia now needs, the glorious past and the virtuous ancestors cannot provide—namely, to build a new economy and a new society. Nationalism has great power to mobilize the resources of a people against foreign enemies. But the threat facing Russia does not come from the outside. To the rebuilding of the country nationalism per se cannot make a decisive contribution. It can appeal to the historical and cultural cohesion of the people, to common values, to idealism. But it has no specific ideas to offer derived from Russia's past.

All this refers to moderate nationalism; the ideas of the extreme right are not only mad but evil. By creating foes where none exist they deflect the energies of the nation from where they are most needed—coping with the real dangers, the immense work of reconstruction. If their views were to prevail, the extreme right could well achieve what neither Hitler nor Stalin or his successors succeeded in achieving: the total ruin of the country. At present this seems to be a farfetched proposition, for the Russian people is no longer an ignorant herd.

Who then will help Russia in its predicament? The reply, paradoxically, is contained in Eugen Pottier's song that was for decades the official anthem of the Soviet Union: help will not come from outside/neither God nor a master will bring salvation (*Ni dieu, ni maitre*). It can come only through the Russian people's own efforts, its good sense and its fortitude in the face of adversity.

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EUROPE AFTER MAASTRICHT

Walter Goldstein

A Premature Treaty

IT WAS INEVITABLE that the Maastricht treaty on European union would run into difficulty. The pact was premature in conception and too ambitious to survive intact. It had been signed in December 1991 when a mood of "Europhoria" held sway. With spirits boosted by a surge of economic growth the 12-nation European Community (EC) pledged to build a lasting union. It was to be the successor to both the Common Market launched in 1958 and the integrated customs union created by the Single European Act of 1987. The historic Maastricht treaty was to take the next step: to create a far-reaching economic and political union that might one day become the United States of Europe.

European leaders realized nine months later that their conception was ill-timed. The EC-12 proved too divided to commit to a revolutionary compact on monetary integration by decade's end or to surrender a major portion of power to federal authorities in Brussels. A failed referendum in Denmark, and later a marginally successful plebiscite in France, revealed unexpectedly low support across Europe for unification.

Europe's financial markets cracked as uncertainty about Maastricht's chances for ratification increased. Speculators drove the markets into a two-day panic in September, selling short on sterling and the lira until Britain and Italy were forced to drop out of the Community's fixed exchange-rate mechanism (ERM). The attempt by the EC to impose a common financial discipline was undermined. The markets had gained power at the expense of the EC governments, and the Maastricht treaty was cast into peril.

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Resistance on the Road to Union

WHY DID THE TREATY meet such stiff resistance? Three explanations have been offered. First, the EC lost its balance in the temporary breakdown of the ERM; it could not restore cohesion among the 12 stalled economies. Second, the ratification debates in Denmark and France exposed a lack of popular understanding and sympathy. Third, the union treaty fell victim to the financial and trade wars waged between the strong and weak currencies of Europe, Japan and the United States.

The strength of each explanation will be tested over time. For the moment it must be noted that the Maastricht treaty had a time bomb ticking amid its turgid legal prose. It had to be ratified by all 12 member nations before further progress could begin. Most states preferred to ratify through cautious parliamentary action rather than popular referendum, allowing them to evade popular scrutiny. But in June Denmark rejected the treaty by a 0.5 percent margin in a plebiscite, and Britain held up progress until the government led by Prime Minister John Major regained voters' confidence. So far four of the EC-12 have ratified the treaty, five more are likely to do so. It may be difficult to negotiate amendments to the complex 250-page document, but the treaty will not win final acceptance in Britain and Germany without them. In a late-October emergency summit meeting in Birmingham, the EC leaders pledged to continue the drive for closer political and monetary union. They tried to win over the opposition among European voters by offering greater concessions to the "interests and diversity of member-states."

"It would be wrong to assume that the momentum of European union is exhausted."

It would be wrong to assume that the momentum of European union is exhausted. The treaty might fail, but the Community will remain as a functioning body, and its goal of union will be preserved. The next stage of union will begin operating on schedule in January 1993. Most internal border controls will be suspended. The EC's national markets will become closely knit in a barrier-free system that will serve an affluent population larger than the U.S. and Japanese markets combined. European leaders hope that integration will elevate

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the EC-12 out of a prolonged recession by joining their industrial strengths together. The EC's ambition to build a federal union might be salvaged in years to come if a business recovery gains momentum.

The aim of the Maastricht treaty was to unify key elements of Europe's strength. First, the economic and monetary union (EMU) was to develop over three stages. Between now and 1994 EMU was to strengthen the fixed-exchange-rate parity of currencies through the exchange-rate mechanism. Phase II would promote the "convergence" of monetary and fiscal policy among the EC-12, so that phase III could establish by 1999 a central bank and a joint currency, a modified version of today's European Currency Unit (ECU). By century's end each of the 12 nations would submit to conservative economic priorities; pledged to suppress inflation and deficit financing, each would restrict exchange-rate fluctuations and fiscal policy.

Equally as ambitious as the EMU is the design for the second agency, the European Political Union (EPU). It aims to harmonize the foreign policy interests of the 12 member nations and to "give the Community a voice in international affairs by establishing a common foreign and security policy." An ambiguous addendum to the Maastricht treaty noted that this might "include the eventual framing of a common defense policy . . . and in time lead to a common defense." It left open the question whether NATO was to remain the essential military alliance in a new Europe.

Third, ambitious policy objectives were designated under the treaty. Broad authority to regulate public health, education, agriculture and the environment was to be assumed by the European Commission, the EC's executive. Its laws, or directives, would be approved by a qualified majority vote; the veto power that once had been a prized weapon of each member-nation would eventually disappear. In addition a Social Charter was adopted to standardize health and workers' safety conditions. And a separate protocol committed the Community to narrow the gap between the poor states of the south and the rich in the north by channeling aid to the poorest regions.

The principal intent at Maastricht was to construct a federal union and to transfer portions of national power to the EC's centralized agencies. France wanted to build the EMU first, principally to curtail deficit spending among the weaker trading members and to impose monetary discipline on the Com-

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munity. Germany agreed, on condition that adequate authority be granted to the EPU and the EC Parliament. Britain and the smaller but richer countries in northern Europe dissented, fearing excessive German hegemony in Europe's financial affairs. No one suspected that the monetary proposal would implode when trading (at a trillion dollars a day) in currency futures was rocked by speculative frenzy.

Provision was also made at Maastricht for revisions in the EC's five-year budget and for the eventual admission of a dozen new nations. The first six to enter, perhaps as early as 1996, might include the wealthy Austrian, Swiss and Scandinavian members of the European Free Trade Association (EFTA). After a long delay the remaining six could consist of three poor nations in the Mediterranean (Turkey, Malta and Cyprus), and three struggling economies in eastern Europe (Hungary, Poland and the Czech state) that have aligned themselves together as the Visegrad group. It is unlikely that the latter six will be admitted in this century.

Lowering Expectations on Union

THE EC is now trying to shake off a malaise of false expectations. It had come to take success for granted in the halcyon days of the late 1980s. The decade had brought three triumphal changes: the EC's market-driven economies had prospered, and their export income had doubled; most of the EC states had grown accustomed to strong leadership at home, often from popular conservative parties; and the end of the Cold War had uprooted the brutal regimes in the East and fostered German unification within the bonds of NATO and the EC. The enthusiasm generated in the *annus mirabilis* of 1989 was supposed to lead to the decisive and rapid integration of western Europe. Project '92 aimed to prepare the single market for a dramatic industrial and political blastoff.

"The EC is now trying to shake off a malaise of false expectations."

The euphoria turned sour before 1992. An economic downturn simultaneously took hold in all three of the world's regional trading blocs: North America, the EC and the Pacific rim. A wave of immigration from Africa and eastern Europe

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gathered force, and riots tore apart several European cities. Unemployment stalled at a painful ten percent, and violent turmoil in the former Yugoslav republics rattled Europe's politicians. Fearing that the malaise would impair each nation's authority, the EC governments questioned whether so much power should be ceded to the Council of Ministers and the Commission. It became popular to denounce the Eurocrats who issue imperious directives and hold midnight conclaves in the labyrinths of Brussels.

The first doubts emerged after Denmark's referendum in June 1992. The stunning refusal to ratify the EC treaty suggested that, while government elites were committed to unification, a majority of voters harbored severe misgivings. Doubts increased during the bitterly argued debates in France. The extreme right, led by Jean-Marie Le Pen, and the communist left rejected the treaty, but their fringe protests were joined by a massive group in the middle that rejected the leadership of President François Mitterrand. Poll experts claimed that millions of French voters disliked the treaty but voted in favor of it simply to bind Germany closer to the Community. Others claimed they voted against it, not because they were opposed to European federalism but because they feared that France and its currency would be held in thrall to a united Germany.

The second set of doubts came from Germany itself. Opposition had mounted across Germany to the proposal for a single currency and a central bank. Seventy percent of Germans said they refused to trade off their national crown jewel, the strong deutschemark, for a dubious new unit, the ECU. Many spoke of a compelling national interest: to curb the alarming surge of the money supply and an inflation rate rising toward four percent. Germany was spending $100 billion a year to rebuild its eastern *Länder* and running a government deficit equal to four percent of GDP. It was therefore logical, in their view, to peg short-term interest rates at 9.75 percent to tighten the money supply and attract foreign capital. The Weimar Republic had collapsed when inflation had soared. If the remaining ERM members chose to follow the Bundesbank's tight money policy it was not Germany's fault; Bonn's priority was to stabilize prices, not to assist the futile attempts of its neighbors to fend off inflation and currency devaluation.

Naturally Germany's EC partners turned against the Bonn

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government and the Bundesbank's *force majeure*. They criticized the Kohl government's decision to invest a trillion dollars in eastern Germany over the next ten years, and they claimed that they were paying for it through the tight-money obsessions of the German central bank. Germany's partners felt they had been pushed toward a forcible deflation at a time when they needed to expand their own money supply and deficit financing. It was neither just nor reasonable, they insisted, that Germany had stifled their economic recovery by hiking interest rates to placate its voters' anxieties. If the EMU was to follow inexorably the edicts of the Bundesbank, Germany's neighbors wanted to change the rules: the EMU had to serve a democratically governed union, not a national bank.

Germany emphatically disagreed. If the EMU was to discipline its members it could not allow them to realign their exchange rates whenever they ran into trouble. Germany set the ERM parity limits because it had the strongest economy and the hardest currency. If EC states could not reform their flagging economies, they could not stay in the ERM. Britain and Italy chose to drop out and devalue their money by 10 percent against the deutschemark. France managed to stay in, after drawing down half its reserves and receiving massive German assistance to prop up the franc. The forced march to monetary convergence and to a strong EMU was exhausted for the time being.

Summits Fail to Resolve Tensions

IT WOULD have been timely if a wave of optimism had crested as Europe entered a second stage of political and economic integration after Maastricht. The year 1992 was supposed to mark a mystical turning point in Europe's glory. As in 1492 a voyage into the unknown was to begin. Centuries of patriotic violence and genocidal war were coming to an end. They were to be replaced by a union bringing lasting peace and a renaissance of industrial technology. A new era of history was to create a colossal superstate, anchoring Germany into the EC, fixing the troubled frontiers in the East and matching the global power of the United States and Japan.

The European union treaty envisaged the first transnational state of the nuclear era. Ancient frictions between Germany and France, between the industrial north and the Mediterranean south, were to be contained within the federal institu-

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tions of the union: a European parliament, a court of law and a powerful executive Commission. For all their objections the weaker EC nations would profit handsomely. An insular Britain, a fast developing Spain and Italy, as well as other Mediterranean states, would stabilize their shaky finances and share in the accelerated growth capacity of the continental union. Subsequently, the theory held, the federalists would publish their final constitutional draft for a United States of Europe. When completed the union would rank among the legends of world history.

"The European union treaty envisaged the first transnational state of the nuclear era."

Initially the accomplishments of the Maastricht negotiators were widely hailed. Twelve rival tribes of politicians had managed to broker constitutional differences and to reaffirm that the single market would start on time in January 1993. A raft of powerful laws assured the unrestricted flow of goods, capital, services and people within the EC. In the meantime two critical questions were left unresolved at Maastricht: whether to "widen" the Community and admit new members; and whether to "deepen" the Community, first by putting more federal power in the Brussels agencies, and second by extending judicial safeguards for wronged citizens and for democratic controls held by parliament. The omissions were to be fixed after the treaty was ratified. Unfortunately the move to ratification was overtaken by strange events.

It had been widely predicted that the removal of the EC's internal barriers would unleash a great surge of business and confidence. Those expectations were not fulfilled. First, the Danes' vote against the Maastricht treaty came as a shock. Denmark was one of the most devoted and wealthy members of the Community. Provision had not been made for the possibility of defeat. Were the Danes to be asked to vote a second time, or would all 12 states have to painfully revise the brokered treaty? As yet, this critical question remains unanswered.

The confusion doubled after France ratified the treaty with a minuscule majority. It was evident that voters resented discretionary power passing to the Commission in Brussels. A monster of a treaty had been drafted, and it defied popular understanding. European public opinion turned against the

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"federal dream" of Chancellor Kohl and the crafty technocrats reporting to the EC President, Jacques Delors.

As domestic debates grew noisier, opposition groups in Britain and Germany called for a referendum to ratify the treaty. They assumed that it would be easier to defeat the Maastricht accord in the streets than in quiet parliamentary committees. With ten million unemployed in western Europe and crowds rioting against refugees seeking asylum, EC governments were anxious about the treaty's prospects. They doubted whether European union would move forward this century if the Maastricht negotiations had to resume from square one.

A second setback appeared in the drifting, futile sessions of the two summit meetings that convened in 1992. The EC summit in Lisbon failed to move forward from the positions staked out in Maastricht. Nothing was done to promote the widening or deepening of the Community. The entry of new members was put on hold. The five-year budget was once again delayed; so too was the integration of monetary and foreign policy arrangements. Worse, Europe's recession dragged on, and the Yugoslav bloodletting intensified.

The annual economic summit of the Group of Seven (G-7) leading industrial nations in Munich was no more decisive. Nothing was done to stop the atrocities tearing apart the breakaway republics of Yugoslavia or to meet the request for massive capital outlays put forward by Russian President Boris Yeltsin. More to the point, the world's foremost economic leaders bickered over strategic priorities to end the economic downturn: Germany refused to lower its punitive interest rates; Japan clung to its tight-money policy and its trade surplus; and the United States saw no reason in an election year to curb its deficits or reflate its money supply. Global growth was stuck at one percent of GDP, and no one in Europe dared to budge it.

Another matter was less dramatic but more worrisome. For a fifth year the G-7 leaders called for the completion of the Uruguay Round of negotiations under the General Agreement on Tariffs and Trade. They must have known that their arguments would fail. They picked the thorniest obstacle as the focus of dispute: the $100 billion in annual farm subsidies that distort world food prices and encourage surplus production by the richest nations. Little attention was paid to nearly $4 trillion of trade in services and manufactured goods that

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might be severely disrupted if the Uruguay Round were to collapse.

The United States held that the lavish price supports of the Community Agriculture Plan had to be curbed. As leading food importers Germany and Britain were inclined to accept slight cuts in the CAP's price and output supports, but France refused. Japan continued its hefty rice subsidy, and the United States beat a retreat during the presidential election campaign, when President Bush handed sizable farm payments to U.S. cereal exporters.

A Two-speed Europe?

ONE BENEFICIAL trend lingered after the euphoria of the 1980s had evaporated. The seven members of EFTA chose to join forces with the EC-12 and establish a grand European Economic Area (EEA) by 1996. Some also promised to apply for associate status in the Community. The timing of the EFTA merger has not been settled, but the trade consequences are potentially significant.

As a 19-nation economic bloc the EEA would comprise a population base of 360 million people, generate a collective GNP of $6 trillion and account for 46 percent of world trade. Its industrial clout and its economies of scale would balance against the North American and the Pacific trade blocs. And if the dollar continues to lose value the ECU could become the major transaction and reserve currency of world trade.

It had been assumed that the EFTA entrants would link their currencies into the ERM and bind their monetary policy to its parity zones. At a later stage they would have to meet the convergence requirements set by the EMU, and their financial independence would disappear. That had been the formal plan until the ERM exploded and the pound and the lira were driven through the floor of the permitted exchange values.

It is possible that the exchange-rate mechanism linking the key EC currencies could split in two. A core of hard currency states could bring Germany, France and the Benelux countries into a single currency unit, while the remainder of the Community and the new entrants from EFTA would be condemned to float their currencies—at least until they reformed their inflation-prone and faltering economies. The ECU might be adopted as the inner-core denominator, but it would not achieve the global leverage to which the ERM had once as-

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pired—since six of the EC-12 might be excluded from the EMU bloc. This resort to a two-speed system would leave urgent matters unresolved. Britain, Italy and other possible outsiders could enjoy a 12–15 percent price advantage if they traded freely in the single market while rejecting its rate-setting discipline. But if the insiders objected, the economic foundations of the Community could be imperiled.

". . . the exchange-rate mechanism linking the key EC currencies could split in two."

The Community needs to cope with other forms of competition—internal and external—if it is to achieve a tighter union. The EC posts a growing deficit in its high-tech commerce and in its trade and capital flows with the United States and Japan. It has lost its lead in several strategic industries: computers, software, semiconductors, automobiles, air transport and financial services. Though the G-7 summit leaders invite President Delors to join them as an observer, he cannot speak for the EC with any forceful mandate. Once the EMU and EPU are established, it is argued, he could powerfully represent the union and its single-currency clout. But for now he only speaks for the 17 commissioners in Brussels.

Common Foreign Policy Elusive

IT WAS tentatively agreed at Maastricht that foreign policy and defense matters would eventually pass to the jurisdiction of the EPU. No one is quite sure what that means. For now there is little evidence of a cohesive foreign policy within the Community. Indeed it was obvious that discord during the Gulf War had been acute. Many EC members had distanced themselves from the American-led buildup for Desert Shield, and they had split from the NATO camp on other issues as well.

When it came to moving against Yugoslavia's murderous strife and "ethnic cleansing" the EC again proved ineffective. Germany urged Slovenia and Croatia to declare independence. Britain and France were loath to move against Serbia. Britain argued that greater responsibility should be taken by NATO and the United Nations, but France disagreed. As a result, the EC's ceasefire agreements and peace conferences

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collapsed, and the combatants ignored the good offices of the EC Commission. Matters were not helped when the Bush administration said the Balkans were "Europe's area of responsibility."

As far as "collective security" hopes go for a new Europe, the concept of a European "defense identity" remains an empty phrase. France and Germany planned to raise a joint army corps to serve as a defense nucleus for a European army—or at least for the nine EC nations belonging to the Western European Union. But as the Yugoslav chaos intensified it was clear that neither the corps nor the WEU could ever replace NATO as the bedrock of European security. Germany, Britain and the "neutral" EFTA states agreed that a continuing U.S. presence in Europe was vital and that the NATO structure be left intact. France maintained its historical thrust of opposition, holding that Europe must eventually discard the familiar "umbrella" provided by U.S. nuclear hegemony.

". . . the concept of a European 'defense identity' remains an empty phrase."

Three further obstacles threaten to block movement toward European unity in 1992. The poorer nations in the Community, relapsing into economic stagnation, demand more money for regional aid and structural assistance from the richer north and from the new applicants in EFTA. That is their price to negotiate an enlargement of the EC. Spain, Greece, Portugal and Ireland report a GNP per capita less than half that of the northern members of the Community. They are in no hurry to admit the poorer countries of eastern Europe and the Mediterranean, or to sacrifice their slice of the perennially contested EC budget.

The budget has been the cause of determined infighting for twenty years, and there is little prospect for peace. Currently limited to 1.3 percent of the Community GNP (a sum of 66 billion ECUs or $85 billion), it is due to rise to 1.4 percent if GNP growth resumes. Half the budget goes to the CAP, especially to the richest farms in the north, and a quarter goes to regional assistance. But radical changes will have to be made. The EC cannot borrow or run a deficit, and its revenues largely come from value-added taxes and customs duties. The problem remains: wealthy states in the north are unwilling to hike

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Community-wide taxes and spending, while the poor states demand increased aid as the price for straightening out the budget mess and admitting new members.

A third obstacle appears in the form of mounting distrust of EC bureaucracy. To counter it President Delors announced a novel principle: "subsidiarity." His aim was to answer objections raised by Britain, Denmark and others. They claimed that ceding power to Brussels would lead to a dangerous centralization. Delors offered a timely compromise: to preserve national diversity and the widest local autonomy, the EC would limit executive jurisdiction only to "appropriate levels" where states cannot act alone.

"Subsidiarity" became the weapon of choice for governments fighting off the Commission's power drive. The EC had asserted the right to issue regulations that could unify financial services and professional standards, environmental protection guidelines and public health requirements, and to guarantee access to national markets. But the Brussels bureaucracy was too zealous in rule-making and triggered costly litigation before the European Court. First it tried to harmonize the "Euro-sausage" and then to limit the noise level of lawn mowers. Germany was censured for shutting out French beer and bottled water with absurd medieval laws; France was told to modify its best cheeses and Italy to close its beaches.

It was a shrewd move by President Delors to restore the principle of local power, but it is not at all certain that he can counter the growing hostility to a Brussels-led Europe. Public opinion polls in the EC indicate mounting disenchantment with the pan-European treaty. More than two-thirds of Britons polled recently were opposed to the Maastricht pact, and former Prime Minister Margaret Thatcher continues to provide a powerful voice of criticism from the House of Lords. Prime Minister Major has resisted the call for a referendum from his own party, insisting that parliament will eventually ratify the treaty. His political fortunes are closely tied to the European cause and his economic strategy to the ERM. Both stand in considerable danger.

Admission of New Members Delayed

THE IMPASSE over the EMU and EPU is not as shattering as it might seem. A spirit of cooperation has survived among EC governments, and progress could be made at

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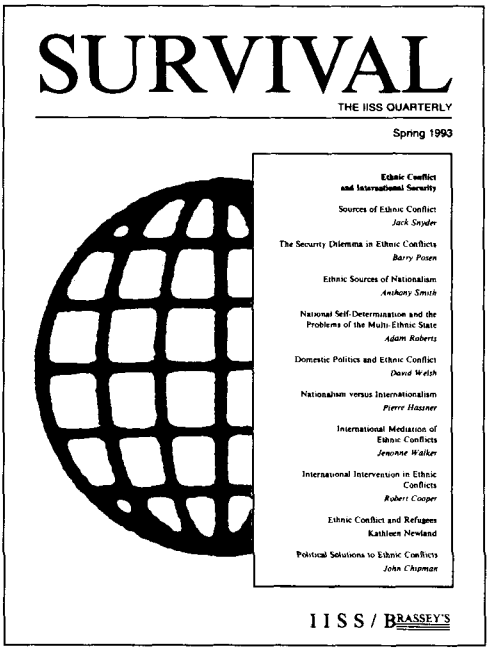

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forthcoming summit sessions to liberalize the operations of the single market. Decisions to widen or deepen the Community will clearly have to be put on hold, and timetables to implement EMU phases II and III will most likely have to be scrapped. The deadlock over the GATT Uruguay Round and CAP will stretch into a sixth year unless the G-7 leaders can spur the world credit markets into action. No member state, however, is likely to reject the statement of principles that holds the Community together. It would be a pointless gesture at a time when economic recovery is desperately awaited.

The admission of new members will be delayed until the five-year budget is resolved and possibly until the treaty is revised in 1996. Most of the states that have or will request admission will not be considered until the year 2000. In the meantime discrepancies between the rich applicants from EFTA and the rest of the EC aspirants are embarrassingly visible. Per capita GDP ranges from $33,000 a year in Switzerland and $23,000 in Scandinavia, to a low of $1,600 in both Poland and Turkey. The present EC average is almost $17,000, though Portugal and Greece earn far less. More important the EC population of 325 million would grow by only ten percent if the EFTA states joined, but it would swell immensely if the others entered: 65 million would be added by the Visegrad trio, and 50 million more by the Baltic and Balkan nations. And then there is Turkey, a loyal NATO member, with 56 million people now, but with 85 million in the next generation.

The impact on the EC economy could be equally drastic. If classic laws of comparative advantage were to hold, the non-EFTA applicants would undercut most of the farm prices and the low value-added manufacturing costs of the union. Eastern Europe could ship cheaper textiles and steel than any of the import-protected and state-run sectors of the west. To stress the contrast of factor costs: EC citizens pay roughly $400 per capita each year in farm supports, through tax transfers and rigged consumer prices; but those in EFTA pay $1,000 each, and the east Europeans zero. By comparison the United States subsidizes food by $300 per capita and Japan by $500.

The issues of subsidies and protectionism go to the core of the EC's problem. If it ever rationalizes its economic resources a large number of unskilled workers in western coal mines, steel mills and farms would be displaced from declining industries and channeled into welfare or low-paid service jobs. EC farmers would become park keepers, and the unsubsidized

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economies of the east would overwhelm their high-cost Community competitors. Workers in the east would accelerate low-cost production at home rather than migrate to the west. These eastern European workers might well hope that the EC would bolster their fledgling democracies and free-market regimes—as the Community had done so effectively in Spain in the 1980s. For now they stand as outsiders hungrily tapping at the EC's well-stocked windows.

Protectionist forces will surely challenge the EC's future progress. They will influence decisions on enlargement and the thrust to extend environmental or industrial policy. EC states spend $100 billion a year on industrial subsidies, especially for coal, railways and labor-intensive industries. Public subsidies average 6 percent of GDP in Italy, 3.5 percent in France and 2.5 percent in Germany. In Greece the figure is nearly 15 percent. With millions of jobs funded by these subventions no state will surrender them just to liberalize the European economy. Nor will the EC admit a flood of unsubsidized food and goods coming from low-wage exporters in eastern Europe or the Mediterranean.

A More Realistic Union

IT IS IMPOSSIBLE to forecast which way the EC will move in the 1990s. The Maastricht treaty left member-states intact as sovereign agencies, but it forced unity on their economic life. Their material destiny was cast into an integrated economic mold while political conflicts kept them angrily apart. This might prove to be the treaty's undoing. The EC could possibly rectify the current impasse by splitting itself into a two-speed entity. Some of the EC-12 could, theoretically, join together at the core and later entrants could circle in outer orbits of power. Or the Community could simply resign itself to its current status as a common market and customs union—remaining a loose association of states, free of internal tariff barriers. None of these options is appealing. Each would involve the scrapping of the popular aspiration to unify Europe in this century.

Arguably the dictates of European economics will weigh more heavily than political concerns. The EC cannot move to the next stage of political evolution until it improves on growth and productivity. It would be pointless to develop the EPU, the commission or the parliament or to admit new members if the

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Community fell behind in the scramble for world trade and industrial technology. The compelling need is not to curb national sovereignty but to improve industrial productivity and living standards across the Community.

Europe's gift for pragmatism and compromise will surely help as it experiments with new forms of organization. It has served well in the past. It may be that proposals for a two-speed Europe will be tried. That would probably lead to the development of a deutschemark currency bloc. But Germany would be troubled if it ever succeeded. Its alliance with France and the Benelux countries is of critical importance: both Chancellor Kohl and President Mitterrand insist that Europe should not succumb to political paralysis or division, and both aim to keep the Community intact. Moreover Germany needs to preserve its ties to Britain and Italy, and, no less, to the Atlantic world. It is not ready to sever its close relations in order to build a two-speed Europe with a minority rump at the core. It will strive aggressively to block the changes that a bifurcated, two-speed union would entail.

". . . the dictates of European economics will weigh more heavily than political concerns."

Whatever happens, appeals within the EC for public sector intervention and for trade protection will tax the patience of industrial and political leaders as unification proceeds. Practical choices will have to replace the free trade versus *dirigiste* arguments that now clog the airwaves. Welfare policy, as well, will require closer attention as the population ages and the availability of resources declines. Ultimately Europe cannot afford to ignore market pressures: it has an uncomfortable surplus of labor and farm products and an inadequate purchasing power to fuel its drive for prosperity.

The political forecast is more troubling. The EPU will not easily cope with the security and diplomatic threats that Europe faces. If the union can be gradually widened or deepened it may survive. But it will remain divided by ethnic and nationalist tensions. Eastern Europe is no longer sealed off by an iron curtain. The broad continent cannot ignore turbulence in Yugoslavia, in central Europe and in Russia, or in the world's industrial markets. A self-limiting enterprise, to build

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an inner club or a multi-speed political union, will be futile if economic dynamism lags or security fears escalate.

No matter what course the movement to union takes it is unlikely that the United States will be excluded from an emerging Europe. If economic and political uncertainty intensifies the EC will have to strengthen its global links. It may not become a harmoniously united Europe; but at a minimum it will have to mobilize its scarce resources with greater efficiency. The North American Free Trade Agreement will offer vital opportunities to extend the EC's trading reach and economies of scale. Similarly, a resurgent and unified Europe will repudiate fortress-like barriers to foreign competition as it strives for export expansion. Liberalizing of trade, moreover, will present major opportunities for U.S exporters and, hence, better prospects for U.S. recovery.

The cause of European union is not dead but it has experienced a severe setback. If the Maastricht treaty is not ratified or revised it may need another surge of economic growth before the constitution writers revive their former mood of enthusiasm. It would be better if the revival came quickly. Nationalism too often fires enthusiasms among groups who seek prosperity by beggaring their neighbors, and its containment in Europe is long overdue.

One of the founding fathers of a united Europe, Jean Monnet, wrote a thoughtful warning in his memoirs nearly forty years ago. It is highly pertinent today: "The construction of Europe, like all peaceful revolutions, needs time—time to convince, time to adapt people's thinking and time to adjust to great transformations."

The Maastricht treaty attempted to do too much too soon. A renewed effort toward the cause of European unity could succeed if it were to follow a more realistic path in the next few years.

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CHINA: THE COMING POWER

Barber B. Conable, Jr.
David M. Lampton

A Troubled Relationship

ONE OF THE FIRST tests of the Clinton administration's ability to develop a forward-looking foreign policy will be the troubled U.S.-China relationship. The successful conclusion of market-access negotiations with Beijing in October, and the decisions of the recently concluded 14th Party Congress to promote younger technocratic leaders and widen economic reform in China, provide an opportunity for progress.

Within the United States there has been little consensus on an appropriate China policy. Since the June 1989 Tiananmen tragedy Congress has tried to use sanctions to prod China to better observe human rights. Although President Bush imposed some sanctions in the aftermath of the crackdown, he consistently opposed legislation that would eliminate or impose conditions on most-favored-nation treatment for China. In September he vetoed legislation to place conditions on renewal of China's MFN trade status, saying it would hurt Chinese citizens and American companies that sell goods there. For his part President-elect Clinton has stated that he would be firmer, by linking continued MFN status for China to improvements in human rights practices. Beijing categorically rejects such a linkage and promises retaliation.

China's political repression, its nuclear technology and weapons sales to Iran and other volatile regions of the world, along with some illegal trade practices and a mounting trade surplus with the United States, have only added to the tensions in a relationship already strained by the unnecessary and tragic violence of June 1989 and subsequent repression. Chi-

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na's strategic value is inaccurately perceived as having greatly diminished following the collapse of the Soviet Union. If the current strains in America's relations with China deteriorate into a U.S. policy of benign neglect or outright hostility, the damage could be widespread to the United States' economic future, its relations with other countries and its hopes for cooperation on global problems.

"China's strategic value is inaccurately perceived as having greatly diminished following the collapse of the Soviet Union."

China is important to America's interests—the Clinton administration's policy should be premised on that fact. An economic boom is well underway on China's mainland, Taiwan and Hong Kong; yet the United States is in danger of isolating itself from its benefits. Not only does this regional growth offer great potential for American investment, trade and the jobs for Americans that both can bring, it also promises a more stable East Asia and will gradually create the conditions for a more pluralistic and humanely governed society on China's mainland. How can the new administration seize these opportunities, be true to core American values and help avoid a dangerous worsening of U.S.-China relations?

Harmful Myths

THE FIRST TASK in reexamining U.S. policy toward China is to rid American thinking of three inaccurate and harmful assertions: China's system is performing dismally and therefore its stability is tenuous; China, since the Tiananmen crackdown, has pursued a course opposed to the free market, and current developments are antithetical to political liberalization; and China is of only secondary importance to American global interests. None of these assumptions stand up to careful examination.

The durability of China's leadership has confounded widespread Western expectations of its imminent collapse after the suppression of demonstrations in Tiananmen Square. The most important cause of stability has been the relatively good performance of China's economic system compared to that of eastern Europe and the U.S.S.R., which collapsed principally

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because they failed to meet basic economic and human needs. Second, the Chinese have yet to discern a successful road map in other countries' efforts to exit planned economies. In Poland, Czechoslovakia, Yugoslavia and the former Soviet Union the Chinese see economic drift, political instability, ethnic fragmentation and violence, with more frightening outbursts possible in the foreseeable future. Finally, Deng Xiaoping and other survivors of the founding revolutionary generation are still in control. These elders, though increasingly frail, remain tremendously influential and, until their passing, are a factor for stability in its narrowest sense.

Despite a worsening budget deficit and enormous shortcomings and inefficiencies (about one-third of state enterprises lose money, even by Beijing's generous accounting standards), the Chinese economic system is not a basket case. Rather it is a system that in 1991 extended one billion Swiss francs in commercial credits to the Soviet Union, generated a worldwide trade surplus of about $8 billion and by February 1992 had foreign exchange reserves totaling almost $43 billion. Recently it has extended food credits to the former Soviet Union. China's economic system also has performed well by the standards of its Asian neighbors. From 1984–90 the P.R.C.'s economic growth rate was nine percent—more than four times that of the Philippines, nearly twice that of Indonesia and a percentage point higher than Thailand's. Among the major economies of Asia, China's growth rate was exceeded only by South Korea's. In broader measures of performance, infant mortality in China in 1991 was 33 deaths per thousand live births, compared to 109 in Pakistan, 91 in India, 73 in Indonesia, 54 in the Philippines, 37 in Thailand and 6 in Hong Kong.

Defense spending, so wildly out of balance with development expenditures throughout the Third World, is more proportional in China, though there are concerns. Since the mid-1980s China has reduced the number of people bearing arms by 25 percent, with indications of further manpower cuts to come. According to World Bank statistics, when China began its reform program in 1978, Beijing reportedly spent 4.7 percent of GNP on defense and 3.1 percent on culture, education and public health. In 1988 defense had fallen to 1.6 percent and culture, education and public health had risen marginally to 3.5 percent.

Despite this general trend, however, China has witnessed

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double-digit defense spending increases in the last three years. The CIA put these facts somewhat differently: "When adjusted for inflation, budgeted defense spending—which may account for only half of the country's military spending—fell 21 percent from 1984 to 1988 . . . but had risen 22 percent since 1988."[1] These recent defense spending increases can be understood as efforts to mollify the military and to convert it to a force leaner in personnel and richer in sophisticated technology. Nonetheless trends in spending, procurement and strategy call for careful monitoring, given recent and contemplated Chinese weapons purchases, such as new-generation aircraft obtained from Russia.

China's system has done rather well in sustaining high rates of growth, meeting basic human and material needs and getting its development priorities in some sort of balance. Education and health are still in desperate need of more money, and underlying population growth and environmental stresses will become mounting problems in the years ahead. Moreover China remains an agricultural society whose almost 1.2 billion people collectively hover at a low per-capita GNP level. The economy is fragile, and suppressed inflationary pressures could explode rapidly. Nonetheless this is not a system that has entirely failed.

". . . the regime's survival rests on genuine and rapid economic reform."

Demands for political change stem not so much from economic failure as from moderate economic success, the resulting rising expectations and the magnetic appeal of the neighboring Chinese free-market communities of Taiwan, Hong Kong and Singapore. Drawing lessons from the Soviet Union's demise, China's leaders have concluded that the regime's survival rests on genuine and rapid economic reform. Indeed it was precisely such an acceleration that was approved in mid-October at the 14th Party Congress in Beijing.

[1]Directorate of Intelligence, Central Intelligence Agency, *The Chinese Economy in 1991 and 1992: Pressure to Revisit Reform Mounts*, August 1992, p. 11.

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Economic Reform Continues

THE 1989 POLITICAL crisis, epitomized by the Tiananmen tragedy, did not create a new policy of economic retrenchment so much as it deepened the resolve of Chinese leaders to enforce a previously agreed upon recentralization of financial authority that was considered essential to building up China's foreign exchange reserves and to lowering inflation. (Inflation was running at an annual rate of 10–15 percent in early 1988 and had jumped to an annual rate of 26 percent by December of that year.) In late 1988 foreign observers were saying that something had to be done to increase China's foreign exchange holdings of $17.5 billion so that it could continue importing at a significant level while simultaneously repaying international obligations that were to come due in the early 1990s. Everyone inside and outside of China recognized the politically explosive character of inflation.

In the aftermath of Tiananmen Western suspension of bilateral and multilateral loan and aid programs made it even more essential that China's leaders quickly halt the unnecessary expenditure of foreign exchange, increase exports to build foreign exchange reserves and immediately restore a stable domestic economic order by halting inflation. This policy, in part, accounts for the 22 percent fall in U.S. exports to China and the simultaneous 27 percent rise in Chinese exports to the United States that so angered Americans.

Beyond successful performance in foreign trade Beijing made remarkable headway against inflation, bringing it down to about one percent by the first quarter of 1990 and to an annual rate of 4.4 percent in 1991. Despite renewed concern about inflationary pressures this year (such as 19 percent industrial growth in the first six months), the CIA indicated in August that three consecutive bumper grain harvests and China's large foreign exchange holdings should moderate inflation, at least for a while.

In short, economic reform never was halted, but, instead, took a temporary back seat to dealing with the more pressing problems of maintaining a stable currency, assuring adequate hard currency reserves and boosting grain production. It was the backdrop of political repression and the elite argument over the direction of policy that created a widespread impression abroad that economic reform had been reversed or jettisoned.

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During 1990–92 economic reform initiatives were apparent in several important areas. First, China's currency, the *renminbi* (RMB), was devalued on several occasions, bringing the exchange rate by early 1992 to a level that most observers believed was near to what its internationally market-determined value would be were it freely floated. Though in late 1992 the gap between the official and free-market rates for the RMB had widened somewhat, the regime seemingly remains committed to freely floating its currency and to doing away with the dual currency system of local currency and "foreign exchange certificates." Assuming these reforms are implemented, the P.R.C. will be integrated into the world economy to a high degree and will be even more subject to the external influence that such integration implies.

A second important area of economic reform saw China adjust upward such politically sensitive prices as those for grain and air and railway fares. Policymakers also continued to broaden the scope of market-determined prices in other areas. During the 1989–92 period there was a continual expansion of the numbers of goods for which prices were set in the market place. Indeed the fact that there were so many market-determined prices co-existing and overlapping with state-set prices has exacerbated corruption. State and party officials with access to goods at comparatively low, state-set prices use their power to acquire those goods and transfer them to the free market, where generally higher prices prevail. This and other corrupt practices by officials, along with inflation, may well be the largest immediate threats to social stability.

". . . corrupt practices by officials, along with inflation, may well be the largest immediate threats to social stability."

In other reforms during 1990–92 China modestly raised the cost of housing to more accurately reflect capital, operating and maintenance expenses, and began the long and arduous task of creating a housing ownership system. The package is intended to give people a personal stake in maintaining real property and to generate badly needed housing capital.

In the financial area stock markets opened in Shanghai and Shenzhen, albeit with restricted numbers of listings and trading, with some "B share" stock available for purchase by

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foreigners. By the third quarter of 1992 thirty Chinese cities had established short-term fund markets.

By early 1992 China was pushing efforts to introduce market mechanisms in the 40-year-old state-controlled materials distribution system, allowing market-driven trading in basic industrial inputs. If this reform expands, the prices of coal, rubber, farm machinery, building materials and chemicals will become market responsive, reverberating throughout the entire industrial structure.

In 1990 China adopted a copyright law that, while not adequately protecting foreign intellectual property, recognized ideas and technology as investments that need to be rewarded and protected. This recognition was given more currency in January 1992 when China and the United States reached agreement on the protection of intellectual property in the pharmaceutical, literary, artistic and software areas—protection that exceeds minimum international standards in several respects. Implementation, however, remains to be seen.

Building on this achievement, in early 1992 Beijing again began to push vigorously for entry into the General Agreement on Tariffs and Trade. In its October agreement with the United States, China has made some of the market-access concessions (such as publishing heretofore secret trade regulations and phasing out a variety of import barriers over the next five years) that are necessary to accede to the GATT in the not-too-distant future.

Demands for Political Reform

WITH ECONOMIC REFORMS in sensitive areas moving forward, one sees once again the stirrings of political disaffection among workers in state industrial enterprises. As in 1989 the economic reforms enumerated above are giving rise to renewed fears and frustrations among workers—fear of price rises and job losses. Representatives of China's state-controlled labor union, the All-China Federation of Trade Unions, recently traveled across the country to demonstrate concern for the thousands of workers being dropped from featherbedded state-enterprise payrolls.

The strategy Beijing's leaders have adopted in response to such stirrings parallels to some extent the earlier strategies of the economic "dragons" of Taiwan, South Korea and Singa-

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pore: keep one foot on the economic accelerator and the other foot on the political brake. This can work for awhile, but eventually brakes burn out. The dilemma China's leaders faced in 1989, and which they face today, is that the process of economic reform produces new interest groups, adversely affects powerful traditional groups (like state-enterprise workers) and generally gives rise to increasing demands on the regime.

There are two broad approaches to handling these demands. One is through repression (the 1989–92 approach); the other is to allow the expression of those interests and channel them into newly constructed political and legal institutions. Before June 1989 it appeared that the regime was pursuing a course in which legislative functions would be increased, legal procedures for grievances would be institutionalized and political reform would proceed, albeit at a considerably slower pace than economic change. The combined shocks of the Tiananmen bloodshed and the subsequent collapse of eastern Europe and the Soviet Union threw this nascent liberal approach into a deep freeze.

With respect to political reform there can be little doubt that the period following the Tiananmen crackdown was characterized by repression and political backsliding. Efforts that had been underway to make the National People's Congress (China's national legislature) an effective and representative body ground to a halt—indeed reversed. Efforts to make the rule of law a more fundamental part of daily political life prior to June 1989 were set back in the wave of indiscriminate arrests and detentions, not to mention the extraconstitutional means by which the decisions to declare martial law (in May 1989) and to use force (in June) were made. Throughout the post-Tiananmen period unauthorized labor organizers, Christian congregations that are not sanctioned by the state and intellectuals have been particularly persecuted.

Nor has the press been spared. Prior to Tiananmen the Chinese mass media had become somewhat more professional and independent. After the crackdown the media was once again thoroughly intimidated. Harassment of foreign journalists in China was just one counterproductive symptom of that phenomenon. And finally, open discussion of interest groups, political pluralization and checks-and-balances political systems ground to a halt.

But unlike previous crackdowns in which the populace was

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coerced into informing on one another and refraining from any political discussion, the degree to which citizens refused to cooperate in this suppression and openly mocked its atavistic qualities is striking. If the leaders had gone back to older patterns of rule, China's citizens had not retreated to the older pattern of submission.

Less well understood and of great importance to China's long-term economic and political development is the degree to which the groundwork was being laid during 1990–92 for further economic, political and legal reform. On the economic front reform continued, though at a significantly reduced pace. By late 1991 China appeared ready for another period of vigorous economic reform. The Eighth Plenum of the 13th Party Congress in November 1991 announced a ten-point program for the rural areas and reaffirmed Deng Xiaoping's reformist economic line, if not all his personnel choices. Deng reasserted his leadership role by appearing on the public stage in South China in January 1992. In March the Communist Party's Politburo embraced Deng's economic pragmatism, saying that whether the move is "socialist" or "capitalist" will depend mainly on whether or not it will benefit the living standards of the people. By August a member of the Politburo Standing Committee called for relaxation in the fields of art and literature, and the 14th Party Congress promoted a large number of younger, economic reform-minded people to the Central Committee, Politburo and its Standing Committee, abolished the Central Advisory Commission that provided an organizational base for China's conservatives, and called for an expansion of economic reforms in China. Nonetheless strong elements of the central leadership are not fully reconciled to these policies.

". . . the current acceleration of economic change will soon put serious political reform back on the agenda."

As the 14th Party Congress showed, however, political reform in China is not yet a serious priority. Deng Xiaoping remains committed to accelerating economic reform while maintaining the political status quo—the "neo-authoritarian" approach. What is not open to question, however, is that the post-Tiananmen economic reforms and the current acceleration of economic change will soon put serious political reform back on the agenda. The only issue is whether the elite gets out

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ahead of these demands or it is forced to respond. In the latter case ongoing economic reform (and the possible inflation it will bring) will be setting the stage for further conflict and repression, regime failure or both. The convergence of such social, economic and political crises with the leadership succession in Beijing could spell turmoil for China's Communist Party and its people. The solution is to build legitimate channels by which dissatisfaction can be expressed and moderated.

Phenomena of "Greater China"

MANY NOW ARGUE that American interests in China are secondary in the wake of the Cold War's end. Although the Soviet threat has largely disappeared (but not the dangers arising from its implosion), the intrinsic importance of the U.S.-China relationship is growing along several other dimensions. American interests can be put into global, regional and bilateral categories.

Globally an increasing role will be played by multilateral organizations, with the United Nations most prominent among them. Given China's veto power as a permanent member of the Security Council, Beijing must be part of a consensus for the United Nations to be effective. Therefore U.S. policy must seek common ground where possible with China's leadership, while simultaneously criticizing its behavior in human rights, weapons proliferation and certain trade practices. The United States would not have forged an internationally sanctioned coalition during the Gulf War had China sought to obstruct the Security Council's actions in early 1991, nor would subsequent U.N. actions concerning Libya, the Balkans, Iraq or Cambodia have been feasible.

Environmental protection also requires global cooperation. Today China depends on coal for 70 percent of its industrial fuel and power generation and 90 percent of its household energy needs. Most of this coal has a very high sulphur content and is inefficiently burned in the open atmosphere, which leads to tremendous pollution problems. There is little prospect of these percentages being significantly reduced in the next 25 years. With an expected real economic growth rate of about five percent over the next three decades, China's coop-

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eration will be essential to limit global warming and acid rain in Asia.

In the world today refugees also are a major concern. The dislocations created by refugees from Cambodia, Vietnam and eastern Europe are small compared to the havoc a major exodus from China would produce. Each one percent of China's population totals almost 12 million persons—about a quarter of France's population, twice the size of Hong Kong's and more than half that of Taiwan's. It is in the world's interest, not to mention that of the P.R.C.'s immediate neighbors, that a Chinese exodus not be created by political failure (of which severe political repression is one form), natural disasters or widespread economic/agricultural collapse.

Finally, China is a major seller of affordable and serviceable weaponry to developing nations, and an actual or alleged source of nuclear and/or missile technology to Pakistan, North Korea, Iran, Syria and Saudi Arabia. The United States and other nations must continue to encourage China to cooperate on limiting proliferation of arms and technology for weapons of mass destruction, as well as better policing Western companies engaged in illicit and unwise technological transfers. China's recent accession to the Nuclear Nonproliferation Treaty—and its promise to adhere to the guidelines and parameters of the Missile Technology Control Regime—are testament to the importance of continued engagement and pressure by the United States, Europe and Japan.

". . . regional stability requires workable U.S.-China relations."

Regionally American interests are both numerous and important. The two most protracted, economically distracting and politically explosive American military commitments in the post-World War II era were Korea and Vietnam. In both cases China figured prominently. The lesson is that regional stability requires workable U.S.-China relations. Competition between Beijing and Washington takes the form of exploiting indigenous regional conflicts by both powers, resulting in local problems that expand to suck both countries into a self-defeating vortex.

The most serious threats to American security and economic interests in Asia include armed conflict with nuclear potential between the two Koreas and between India and Pakistan; a

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deterioration of relations between Beijing and Taipei that could lead to economic or military conflict; a re-ignition of the Cambodian conflict; and a botched transition to Beijing's sovereignty in Hong Kong in 1997. None of these problems can be handled effectively without substantial Sino-American cooperation. Constructive relations with Beijing will not assure P.R.C. cooperation in all cases; needlessly bad relations will nearly ensure conflict. The Republic of Korea's formal diplomatic recognition of Beijing last August, at the expense of Taipei, is just one indication of the increasing importance the region attaches to building positive ties to the P.R.C.

In Cambodia, although there is no certainty that the 1991 peace agreement to have free and open elections in 1993 will be successful, progress to date could not have occurred without China's cooperation. Further, Beijing's somewhat improved relationship with Hanoi has made progress in Cambodia more likely. It has further reduced the level of conflict in the region to the point where in 1991 Washington was able to contemplate eventual normalization of relations with Hanoi.

To China's southwest, Beijing is seeking to improve relations with New Delhi while maintaining its traditionally warm ties to Islamabad. China's apparent nuclear cooperation with Pakistan and recurring reports of pending and/or actual missile technology sales to Islamabad are contrary to U.S. interests and are regionally destabilizing. Nonetheless closer Sino-Indian relations are a trend very much in the U.S. interest.

In the Taiwan Strait relations between Taipei and Beijing have their own dynamic and are not under Washington's control. Indeed Beijing-Taipei relations easily could become one of the most serious problems in Sino-American relations. Recent Chinese protest over Washington's decision to sell F-16 fighter aircraft to Taiwan is just one indication of the conflict, contradictions and policy dilemmas that lie just below the surface. The P.R.C.'s incentive to continue a policy of moderation toward Taiwan would be greatly lessened by a deterioration of its relations with the United States.

Worsening China-Taiwan relations would also adversely affect U.S. interests. First, many of Taiwan's firms—with $3 billion plus investments in the mainland—are exporting to the United States. If the American market dries up for Chinese exports some of Taiwan's investment in the P.R.C. will also vanish. Second, the 1979 Taiwan Relations Act charges the U.S. president with assuring that America helps maintain

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Taiwan's capacity to defend itself. If U.S.-P.R.C. relations deteriorate one can expect more mainland hostility toward Taiwan, which will exacerbate the dilemmas facing Washington.

Hong Kong is America's thirteenth largest trading partner. U.S. investment exceeds $7 billion there, and nearly 22,000 Americans live in the territory. Moreover, about two-thirds of China's exports to the United States pass through the colony. Hong Kong's greatest insurance policy for its post-1997 future under communist sovereignty is its economic utility to China—that means trade. If the United States adopts policies that reduce trade with China, either by design or through a general deterioration in relations with Beijing, it will correspondingly reduce the incentives for restraint in Beijing toward both Taiwan and Hong Kong.

Bilaterally the United States has a stake not only in pursuing the interests specified above, but also in creating a niche in the world's most rapidly growing major economy today—"Greater China" (the P.R.C., Taiwan and Hong Kong). Exports have been the engine keeping the American economy going during the recent recession and exports will play an increasingly prominent role in America's future. If this emerging Chinese economic conglomerate were considered a single trading entity it already would have been America's third largest trading partner in 1989, following Canada and Japan (with Mexico ranking fourth). There is insufficient recognition among Americans that the increasing economic interdependence among Hong Kong, Taiwan and the Chinese mainland is creating new economic opportunities, policy problems and dependencies that hold the promise of creating greater regional security.

While there is increasing attention focused on the P.R.C.'s growing trade surplus with the United States ($2.8 billion in 1987, $10.4 billion in 1990, $12.7 billion in 1991 and an estimated $15 billion or more in 1992), America's trade deficit with Greater China actually declined very slightly during 1987–91. This occurred because Taiwan and Hong Kong moved much of their manufacturing and assembly operations aimed at the U.S. market to the mainland in order to take advantage of lower labor and land costs. Moreover Taiwan and Hong Kong enterprises exported to the mainland many of the components that were assembled into products, thereby shifting this value to the P.R.C.'s accounts, in the process

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reducing Taipei's and Hong Kong's surplus with the United States while simultaneously increasing Beijing's. Taiwan and Hong Kong, in effect, exported their political and economic conflicts with the United States to the mainland.

The gainers in this process were American consumers, who were able to purchase low-cost, high-quality goods; the P.R.C., which gained jobs; and Taiwan and Hong Kong, which were able to shift their own production efforts to higher value-added output and reduce trade frictions with Washington. As for American workers they were not going to get these low-paying jobs in any case. The only remaining questions are to which Third World country those jobs are going to move, and how can the United States rapidly raise the capacity of the American work force to add value in new product areas. High-quality education and job training, not protectionism, are the long-term answers to America's economic problems.

Not only is this emerging Chinese conglomerate becoming more economically integrated, each area is hedging its bets by placing substantial amounts of human and material resources in the United States. Students, resident businessmen and financial investments from the P.R.C., Taiwan and Hong Kong are growing in number in the United States. Students and scholars from Greater China, whether they stay in the United States or return to their native lands, constitute a human bridge between the Chinese economic conglomerate and America. They give Americans a huge advantage in dealing with this part of the world. Further, the Asian share of U.S. legal immigration soared from five percent in 1931–60 to nearly 50 percent in the 1980s, exceeding legal immigrants from Latin America. After Filipinos, ethnic Chinese are the second largest Asian group in the United States. The United States not only has an incentive to augment economic ties to China, it has a unique capacity to do so.

"America may be in more peril of being isolated than China, if the trends of the recent past continue."

In sum the challenges facing American policy are twofold: to encourage and participate in economic developments that promote security, prosperity, and social and political change, as has occurred in other areas of high-speed Asian growth, most notably South Korea and Taiwan; and to remain flexible

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and diversified in dealings with China, given that the unexpected has been the norm in the P.R.C.

Challenges Ahead

TODAY THE UNITED STATES runs the very real danger of pursuing a self-defeating policy of benign neglect or overt hostility that is rationalized by moral outrage over the character of political rule in China. Moreover the United States is doing so at a time when no other country in the world is pursuing such a course. America may be in more peril of being isolated than China, if the trends of the recent past continue.

A policy of benign neglect or outright hostility will not only forego opportunities to build links to the most dynamic regional economy in the world and to gain the benefits to be derived from cooperation on global problems, it also will retard the ongoing processes that over the long run will produce the kinds of social change more compatible with basic American values. The United States needs a policy of active involvement in Greater China that consists of the following elements: vigorous engagement, diversification, multilateralization and recognition of interdependence.

Vigorous engagement means involving Chinese leaders and organizations at the highest levels in a dialogue about the problems and opportunities that America and China face together. These problems include proliferation, trade, human rights, the global environment and the development of multilateral institutions. In the course of these dialogues, such as recent and successful negotiations over intellectual property and market access, the United States may have to exert considerable pressure to assure a fair outcome. Nonetheless this pressure should be applied to achieve clearly defined objectives. To apply broad sanctions in the absence of dialogue, in order to achieve ill-defined purposes, is a formula for ineffective and counterproductive policy.

Diversification of relations has two principal dimensions. At the same time that Washington remains actively engaged with Beijing's leaders at the national level, it needs to develop relations with local leaders throughout China. A new generation of capable, younger, economically oriented leaders is moving up through the system. These individuals not only have growing influence because of the decentralization that

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has occurred over the last 15 years, they also increasingly have the skills and motivation to make cooperation with Americans more productive. America should not deceive itself, however, that the rise of younger, more technologically oriented leaders in China will dispel disputes. On the contrary the seriousness of their commitment to economic development may increase conflict, particularly in the trade and environmental domains. But one can expect that Americans and Chinese will speak the same language to an ever larger extent.

Diversification also has another dimension. With the tremendous economic, political and social change that has occurred in Taiwan, and Hong Kong's attempts to reach out in anticipation of the 1997 transition to Beijing's sovereignty, the United States needs to further develop its cultural and economic ties with these two exceedingly important areas.

There is a tendency in U.S. foreign policy thinking to bilateralize issues that could more productively be addressed multilaterally. The result is that China frequently shifts the issue from the subject at hand to one of big power pressure on Third World nations—this strikes a resonant chord in much of the world. Moreover American attempts to pressure nations are undermined by the actions of other countries that either do not share U.S. objectives or disapprove of U.S. methods. And finally, by bilateralizing issues the United States tends to throw too many issues into the cauldron of super-heated domestic politics. Rather, America increasingly must build a consensus supportive of its policies internationally and seek remedies through international organizations and cooperation.

The rise of the Chinese economic conglomerate is important not only because of the economic opportunity it presents to the United States and because it will be another force for moderation in Beijing, but also because of what it implies for the use of American leverage. To the degree that Hong Kong and Taiwan use China as a platform for the production of export products to the United States, Washington's use of economic sanctions (such as ending or placing conditions on China's MFN status) that seek to deny "P.R.C. exports" access to the American market will inadvertently create unintended victims in Taiwan and Hong Kong. The United States must not make economic cluster bombs that hit friends and opponents equally.

Whether the P.R.C. succeeds or fails it will present America

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with enormous challenges. System collapse would impose large-scale misery on the Chinese people, lead to a destabilizing foreign policy and produce a China with no authoritative center with which to deal and create migratory flows of enormous magnitude. Economic success in the P.R.C. will have negative global ecological effects, increase Chinese competition in some economic sectors (as well as provide a large market for many American industries), and enable China to project power and influence in ways the United States will not necessarily like. A China that has made rapid progress and becomes stronger will not be a pliable China. However, it is far better that America face the problems of success in China than those of failure.

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CAN THE TWO KOREAS BE ONE?

Nicholas Eberstadt

Perilous Road to Reunification

TO SAY THE COLD WAR is over is to ignore a potentially dangerous reality: the final chapter is still being played out on the divided, heavily armed Korean peninsula. Korea, one of the true flashpoints of the post-Cold War world, is approaching a momentous juncture—one comparable to the partition of 1945 or the terrible war of 1950–53. For Korea is now heading toward reunification. The question is no longer whether the peninsula will be reunited, but when?

Plausible arguments support the proposition that a peaceful denouement to the division of Korea is within reach in the coming decade. (Among others, the presidents of both North and South Korea officially subscribe to that view.) But, equally, there are grounds for concern about violent eruptions on the path to unification, and reasons to expect full integration to be longer, not shorter, in the making. Though the ultimate outcome may be the same, Korea is unlikely to enjoy a replay of the happy, almost simple drama so recently witnessed in Germany.

Several factors promise to make the road to Korean reunification far more complex and protracted than that of West Germany swallowing up East Germany: the degree of military mobilization on both sides of the border; the question of North Korea's indigenous nuclear weapons capability; the disinclination (and inability) of China—North Korea's remaining patron—to cut a deal for reunification (in contrast to the multibillion-dollar agreement struck between Bonn and Moscow under Soviet leader Mikhail Gorbachev). That said, however, official Washington is not paying adequate attention to developments in this sensitive, strategically important region and is

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ill-prepared to foster an acceleration of the reunification process.

At the end of World War II, when the United States and the Soviet Union drew the fateful line dividing the country—a line intended merely to delineate temporary administrative zones for processing the surrender of Japanese forces—the Korean peninsula was so remote that officials at the State Department could hardly locate it on the map. Today the Republic of Korea is America's sixth largest trading partner (ranking above France, Italy and all of Scandinavia), and the United States itself has over 35,000 troops stationed on South Korean soil. Almost a million American citizens are of Korean heritage. Yet America's grasp of Korean affairs continues to be woefully inadequate.

"Nearly all of the great events that have defined Korea since the peninsula's partition have caught policymakers unprepared."

Proof of this assertion is America's record of postwar policy. Nearly all of the great events that have defined Korea since the peninsula's partition have caught policymakers unprepared. America was surprised by North Korea's sudden attack against and near conquest of South Korea in 1950; amazed in the 1960s when an impoverished aid-dependent South Korea embraced export-oriented economic growth; shocked in 1979–80 when South Korea's authoritarian but seemingly stable government was convulsed by assassination, "constitutional coup" and provincial uprising (suppressed by the army at a heavy toll of civilian casualties).

America has also been surprised unpleasantly, but repeatedly, over the past two decades by the scope of North Korea's ongoing military buildup. Only now has Washington belatedly realized that this country of barely 20 million may have more than 1.2 million men under arms (with many of its troops and much of its matériel forward-deployed) and a nuclear program capable of producing atomic weapons within perhaps a year or two.

If the United States is to avoid such further costly surprises it must prepare for Korea's impending challenge. In this last bastion of the Cold War the circumstances of the reunion are impossible to foretell: they could be filled with joy and jubilation or, just as easily, with tragedy and suffering. The United

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States must be ready to contribute actively to a free and peaceful reunification in Korea and a successful reconciliation of Koreans, or to suffer the regional and possibly global repercussions that failure in this effort would portend.

From Father to Son: A Bleak Future

FOR A COUNTRY about which so little information is available the international picture of North Korea is remarkably clear. It is seen as an extraordinarily regimented society. It has fashioned a suffocating cult of personality promoting the "Great Leader" Generalissimo Kim Il Sung, and now his son, "Dear Leader" Kim Chong Il, who is designated heir apparent to Pyongyang's communist throne. It extols an official ideology known as *chuche*, a doctrine with a crude racialism and a heavy emphasis on the national destiny of the Korean people. The regime and its agents, finally, are today perhaps best known internationally for their alleged complicity in incidents of terrorism, drug-smuggling and other unsavory activities.

Because North Korea presents such an unattractive face to the outside world, it has often been misjudged. Of all Asia's communist states (including the U.S.S.R.), only North Korea avoided famine in the course of its collectivization of agriculture. For decades North Korea's industry apparently outperformed South Korea's. North Korea's foreign policy skillfully played its communist neighbors—China and the Soviet Union—against one another for more than a generation, extracting aid from both while deferring to neither. Finally, Kim Il Sung's talents may be inferred from his political longevity. He has held supreme power in North Korea for more than forty years; no other world leader has enjoyed such a tenure.

For all these indications of past success North Korea's future is bleak. Its strategy for development—and for competing against the South—have led to a dead end.

At one point in the 1970s North Korea's quest for international legitimacy looked promising. But North Korea has lost that diplomatic competition, and lost it badly. The very fact of the 1988 Olympics in Seoul, and the broad international participation in those games, underscored North Korea's growing international isolation. Even North Korea's September 1991 entry into the United Nations is a sign of failure, not

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a mark of success: North Korea only applied for membership after learning that China, perhaps its most reliable ally, would no longer veto South Korea's pending bid. (In the intervening months Beijing has normalized its relations with the government in Seoul.)

Pyongyang's international fortunes have been set back still further by the disappearance of the Warsaw Pact states, and the simultaneous emergence of its most feared and hated enemy, the United States, as the world's single and unrivaled superpower.

North Korea's economic prospects are scarcely better. Rapid as its growth may have been in earlier years, opportunities for material advance are now exhausted. The "extensive" approach to economic growth has reached its limits. The adult population has been fully mobilized; there is no more "surplus" labor to direct toward factory, field or barracks. Additional investment, for its part, must come at the expense of military spending or consumption. But the former is inviolate, and the latter has already been assiduously squeezed. Additional burdens have been placed on the economy by massive showpiece projects of questionable economic merit, such as the West Sea Lock Gate near Nampo and the ongoing facelift of Pyongyang.

"For all these indications of past success North Korea's future is bleak."

Per capita growth in North Korea may have stopped in the mid-1980s; Soviet sources say the economy was in absolute decline by the late 1980s. Thereafter—with the revolutions of 1989 in eastern Europe and the crisis of the Soviet state—the North Korean economy was shaken by an unexpected dislocation. With the end of the Soviet bloc North Korea's trade with these former allies collapsed. Since the advent of hard currency terms of payment last year, for example, the former Soviet Union has all but ceased exporting to North Korea. Just before its dissolution the Warsaw Pact had accounted for well over half of North Korea's trade turnover. The sudden end to this commerce has been devastating. It has deprived North Korea of both its foreign markets for low quality machinery and consumer goods, and of the spare parts and equipment necessary to keep Soviet bloc facilities and infrastructure functioning.

In theory Pyongyang could cope with this particular crisis by

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turning toward market-oriented economies. But North Korea has already poisoned its commercial relations with Western countries by its default on international loans in the 1970s and its intransigence with private creditors ever since. In effect North Korea is reduced to bartering for goods on the world market, and there is little scope for expanding such activities under current circumstances.

Yet in a tightly controlled police state neither declining standards of living nor food shortages should be presumed to presage an uprising against the government, much less its overthrow. Perhaps more unsettling to Pyongyang than the immediate impact of today's economic woes may be the realization that there is simply no way out. Foreign economic resources might offer the regime some breathing space, but they are unlikely to be forthcoming in any volume. Even under the luckiest of circumstances the regime is unlikely to reattain its pre-1989 foreign balances—and economic prospects at that time were hardly enviable.

It is, of course, possible that the North Korean economy could be resuscitated through a far-reaching liberalization. But Kim's government to date has completely rejected that option. For Pyongyang such a recalcitrant posture is by no means irrational. Far from it: the very measures that might rescue North Korea's economy could doom its political system.

From Kim's perspective it is economic experimentation that undermined the regimes of eastern Europe. Perestroika, in his view, not only occasioned economic deterioration in the U.S.S.R. but brought on the death of Soviet communism. Even the Chinese approach, while perhaps more satisfactory in its material outcome, made possible the Tiananmen protests. In the context of its mortal struggle with Seoul any such protests in Pyongyang would pose incalculable dangers to the regime.

For the Kim Il Sung regime the lessons of history are unequivocal: to "reform" is to die. Kim Il Sung may be a mysterious political personality, but he has never evinced suicidal inclinations. Desperate though his current situation may be he seems determined not to risk making it worse by false moves. Thus it seems likely that North Korea will forswear any reforms worthy of the name and instead simply attempt doggedly to hold on. As if to underscore this intention North Korea's media are today full of talk about "the superiority of our style of socialism."

The 80-year-old Kim will have to relinquish power in the

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not-too-distant future, and, according to the official script, "Dear Leader" Kim Chong Il will assume his father's mantle. Preparations for the succession have been underway for almost 20 years. From Kim Chong Il's emergence as the celebrated (though never named) "Party Center" in 1973, through the 1980 congress that featured his formal elevation within the party, and on through his assumption of the rank of marshal over the country's armed forces in April 1992, there have been continuous indications that "Dear Leader" was methodically consolidating power during his father's lifetime. By the official version the transfer of supreme authority to Kim Chong Il will be little more than a formality.

Nonetheless Kim Il Sung's exit from politics will be a shock and crisis for the regime—most assuredly, a greater one than the global events of 1989–90 that apparently sent Kim Chong Il into hiding. No matter how carefully or forcefully a hereditary transition is orchestrated, there is little reason at present to expect a reign by Kim Chong Il to be either stable or long.

Risks of Instability

IF ONE WERE TO JUDGE conditions in the peninsula solely by international headlines one might conclude that tensions in Korea have been markedly reduced over the past three years. After all, North Korea's erstwhile benefactors, China and Russia, have developed diplomatic and commercial bonds with Seoul, while the Republic of Korea's most important supporters, Japan and the United States, have currently entered into their highest level diplomatic dialogues with Pyongyang since the 1953 armistice.

After decades of frozen hostility Korea's two governments signed an agreement on "Reconciliation and Nonaggression" in December 1991. They also have agreed in principle to reciprocal inspections of each other's nuclear facilities and are now negotiating the details of such arrangements. Economic contacts between North and South are now officially sanctioned, and growing. Liaison offices for inter-Korean diplomacy have formally opened in the North and the South, and the two countries' prime ministers have met eight times.

". . . the Korean peninsula has entered into an era of dangerous discontinuity."

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In July a North Korean vice-premier visited Seoul and met with President Roh Tae Woo. There is even talk of a possible peace treaty to bring the Korean War to a formal end.

Such soundings may seem to offer hope for the resolution of Korea's protracted conflict. But hope is a poor guide to policy. As students of Korea are all too well aware, the region's political climate is characterized by seasons of recurrent—and deceptive—calm.

One of these seasons is presently upon us. For behind today's promising atmospherics lies the fact that the Korean peninsula has entered into an era of dangerous discontinuity. After Kim Il Sung is gone the state that he built will lack viability—even while possessing a huge and aggressively poised military machine. There is no means by which external actors could guarantee the continued stability of the regime in the North, even if this were a desirable goal.

The risks of instability in Korea are further compounded by geography. North Korea shares its borders with both China and Russia; South Korea is separated from Japanese islands by less than 50 miles of ocean. It would be unreasonable to expect those three powerful neighbors to sit idly by if conflict should rage so near their territory. In the heat of such a crisis, however, their reactions and responses would retain an irreducible element of unpredictability. Chinese, Russian or Japanese involvement in an ongoing Korean conflict would not only complicate its solution; quite conceivably, it could strain, or rupture, the concordance among great powers upon which the emerging "New World Order" seems to be premised.

For the United States and its allies in the region, then, the paramount concern in northeast Asia in the years ahead must be to prevent war in Korea, and this by ensuring the continued effectiveness of deterrence in the peninsula. In recent years, however, both the nature of deterrence in Korea and the tasks necessary to provide for it have changed. One may appreciate these changes by examining them in greater detail.

Benefits of Going Nuclear

BEFORE THE END of the Cold War the Soviet Union had both strong incentives and some limited instruments for encouraging responsible—or at least predictable—behavior in Pyongyang. Global struggle in a nuclear environment, with its attendant possibilities for uncontrollable

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escalation, sharpened Moscow's interest in controlling risks emanating from North Korea. During the height of the Cold War the Soviet Union could offer Pyongyang not only aid but the possibility of protection beneath the Soviet nuclear umbrella as inducements to influence North Korean policy. In 1969, for example, Soviet leaders privately assured Washington that they would not back North Korea if Pyongyang should provoke a crisis in the Korean peninsula. In 1985, when North Korea became a signatory to the Nonproliferation Treaty, it was widely believed that heavy Soviet pressure had been the decisive factor in Pyongyang's membership. With the end of communism, however, Russia's likelihood of becoming an inadvertent collateral casualty of a reckless North Korean initiative has been vastly diminished.

Deterrence has been further weakened by an accidental but fateful simultaneity within North Korea; for the departure of Kim Il Sung is coinciding with the arrival of a nuclear option for the regime.

Despite the Western intelligence community's newly voiced alarm about the North's nuclear drive, the program itself has long been in progress. Its genealogy, in fact, dates back to World War II, when Japan chose North Korea as the site for its attempt at a version of the Manhattan Project. Looking back on this program as it nears apparent fruition offers several pointers. First, the program's history emphasizes Pyongyang's longstanding desire and intention to develop nuclear weaponry. Second, it is unlikely that the regime would have marshaled the resources for this long and expensive quest if it had not also long believed that the acquisition of nuclear weapons would affect its balance of power with the South. Finally, it would seem most unlikely that the North Korean regime, as it currently exists, would negotiate away an instrument that was perceived to offer possible dominance in its struggle against the South—or to guarantee Pyongyang protection during a time of adversity.

It is perhaps from Pyongyang's perspective that North Korea's ongoing nuclear inspection negotiations—with Seoul, Washington and the International Atomic Energy Agency (IAEA)—should most properly be viewed. By indicating that it would agree to any inspections at all North Korea has already gained a great deal. As a preparatory confidence-building measure, all American nuclear weapons were reportedly removed from South Korea last year; for decades Pyongyang

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had striven for precisely this objective. As part of this agreement, North Korea also has obtained the cancellation of this year's "Team Spirit" games—the annual joint U.S.-South Korean military exercise against an assault from the North. By agreeing to inspection, moreover, North Korea removed a major obstacle to better bilateral relations with Japan, bringing Pyongyang nearer to the official diplomatic recognition and the massive aid it hopes to obtain from Tokyo.

In return for these tangible and pending benefits North Korea has to date sacrificed precious little. The Joint North-South Commission is still working out details of a mutual inspection agreement; however close North Korea may be to the bomb today, it could be that much further along when these negotiations are concluded and finalized. IAEA officials have made three visits to North Korea thus far this year and have confirmed (adamant North Korean denials notwithstanding) that one of the facilities inspected was in fact a large plutonium reprocessing plant, designed to generate types of material that would be used in atomic weapons. Whether further IAEA inspections could provide insight into North Korea's nuclear program is unclear. Such inspections are hobbled by their ground rules: by IAEA tradition only sites acknowledged by the inspectee may be visited, and even then the host is given time to prepare for the visit. Moreover, even if outsiders are able to identify every nuclear facility in North Korea (including concealed ones), and even if inspectors were permitted into these facilities, the fact remains that North Korea might well be able to prevent detection of weapons-grade nuclear materials if it so wishes, as Iraq succeeded in doing.

In short Pyongyang has found that even the prospect of obtaining nuclear weapons has produced immediate concessions from its adversaries, and at no immediate cost to the regime. This lesson is unlikely to diminish North Korea's ardor to become a full-fledged nuclear power, or to deter it from completing its current nuclear program. Unexpected technical difficulties could slow the pace of development, and tactical considerations could prompt authorities in Pyongyang to order a pause in the program. But it would be unrealistic to expect the North Korean hierarchy to forswear the instruments of atomic diplomacy—especially if they view possession of nuclear weapons as a sort of insurance policy for the hard times that are sure to come.

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Burden Sharing

THE UNITED STATES can contribute to deterrence in Korea. In some cases it can do so by actions in areas far removed from Korea itself: the fact of the American prosecution of the Gulf War against Iraq, for example, has surely reduced the chance that Pyongyang will soon gamble with opportunistic confrontation. But some of the policies and actions that might bolster deterrence in Korea must be taken in the peninsula itself and must be unilateral in nature. Reemphasizing the U.S. commitment to South Korea's defense would be one of these.

Today the Pentagon estimates that it would have no more than 24-hours lead time in the event of an attack from the North. As the end of the Kim Il Sung era approaches the risk of conflict along the "demilitarized zone" is rising, not diminishing. It would be inappropriate at this juncture to instigate further reductions in U.S. force levels in South Korea, if Washington is to reduce the likelihood of the war it wishes to avoid in the region. With large cuts pending in both America's global military budget and worldwide force levels the need to communicate an undiminished willingness and capability to support U.S. allies in Seoul may be all the more urgent.

"Today the Pentagon estimates that it would have no more than 24-hours lead time in the event of an attack from the North."

But the task of deterrence in Korea also begs questions about America's bilateral and multilateral arrangements. Perhaps most importantly it raises issues for the U.S.-R.O.K. security partnership. Close and warm as American-South Korean ties are, and effective as they obviously have been in assuring deterrence these past four decades, the relationship is nevertheless beset with problems. Most of these problems are not new, but their consequences are more obvious, and potentially more costly, at this delicate stage in North Korea's history.

Three problems in the U.S.-R.O.K. security arrangement deserve special mention. The first relates to "intelligence sharing." For many years the sharing process has been virtually a one-way transfer: Washington providing extensive information gleaned from aerial reconnaissance and intercepted communications, with

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Seoul offering little more than interpretation of current events in the North in return. Meager though it may be, Seoul's contribution has nevertheless been important; North Korea is a modern-day "hermit kingdom," and its capabilities and intentions can hardly be divined from photographs alone. But these lopsided intelligence arrangements no longer look so easy to justify.

A second problem has to do with the sharing of military burdens. Today South Korea is an advanced industrial nation. Seoul estimates the South Korean economy to be more than ten times larger than the North's. To no small degree Seoul's current security concerns derive from the fact that this threatened society has not allocated an adequate portion of its growing wealth to its own defense. Despite the imminent danger on its border, South Korea's ratio of military expenditure to gross domestic product is actually lower than America's (4 percent of GDP in 1990, versus 5.5 percent for the United States); its ratio of men under arms to total population is only slightly higher. America's continuing defense commitment is arguably vital to the delicate balance that ensures the peace in Korea; at the same time, there can be no question that South Korea would pose a less inviting target to the leadership in the North (even during a period of internal instability) if it provided more for its own protection.

Finally, there is an issue that might be termed political burden sharing. South Korea can no longer be described as a helpless client dependent upon its American patron. Recent manifestations of Seoul's "blame America" predilection are admittedly more benign than, say, during the Kwangju incident of May 1980, when the previous South Korean government suggested an American complicity, or even leading role, in the operation that culminated in the massacre of hundreds of civilians in that city. Nevertheless such tendencies raise questions about the degree to which South Korea is prepared to assume responsibility for the actions it judges to be vital to its own interests and security. By inflaming or creating anti-American sentiment among the South Korean public such tendencies also stand to drive a wedge between Washington and Seoul, thereby complicating security cooperation.

Longing for Reunification

DESPITE KOREA'S long tradition of factionalism, and the serious disagreements between organized groups in the country today, the longing for reunification appears to be virtually universal and nearly overwhelming among Kore-

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ans in the South. A gauge of such sentiment in the North is beyond reach for now. Even under the best of circumstances the challenges to a successful Korean unification will be great, and will run deep—far deeper and greater than those that Germany faced. By any number of criteria Korea's situation as it approaches unification is less auspicious than was Germany's. If American policy is to influence events constructively, its public and its policymakers must understand the likely differences between what they have just seen in Germany and what they may soon view in Korea.

Consider the issue of military demobilization. East Germany and North Korea have roughly the same population—16 million versus 20 million—but Pyongyang's army is believed to be more than seven times larger today than was East Berlin's *Volksarmee* on the eve of German reunification. Nearly every fifth North Korean male of working age is in uniform and under arms. A free and peaceful Korean unification would make for a military builddown of an utterly different magnitude from the one now underway in Germany; the strategic, political and social problems attendant to such a conversion would be correspondingly greater as well.

". . . Korea's situation as it approaches unification is less auspicious than was Germany's."

Moreover economic reunification could be considerably more difficult for Korea than it is proving to be for Germany. Five disadvantages may be adduced for Korea that did not obtain for Germany. First, North Korea is larger, relative to its divided neighbor, than was East Germany. Absorbing and providing for the postcommunist population thus stands to be a more massive task for Seoul than it has been for Bonn (and, here, it must be said, Chancellor Helmut Kohl vastly underestimated the costs, both in financial and political terms, of that absorption). Second, North Korea's economy is even more distorted than was East Germany's. Third, despite its material advance over the past generation, South Korea is not yet an affluent society. Its per capita output today is roughly a third of America's and less than half of west Germany's. Indeed intellectual and official circles in Seoul seem to be increasingly anxious about what Germany's economic experience may portend for Korea. There are even those in Seoul who speak of the need to prop

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up the North and thereby postpone an over-hasty reunification.

Fourth, unlike East and West Germany, North and South Korea have had virtually no contact with one another over the past forty years. Apart from a tiny and privileged cadre North Koreans know virtually nothing about life in the South. With a rapidly reunified economy their exposure to this unknown society could coincide with massive layoffs and other social dislocations. At the same time a unified and free peninsula would presumably offer opportunities for millions of North Koreans to migrate en masse to the more materially inviting South. How a population raised in enforced economic innocence would respond to such a decompression is difficult to predict.

Finally, since North Korea, unlike East Germany, is no one's satellite, Seoul cannot hope to ease or speed reunification through a well-placed bribe to an outside power; some future government in Beijing might well accept money for such a deal, but it would not be in a position to deliver on it.

Yet if there is a new and unexpected angst in South Korea regarding the economics of unification, it derives to some extent from a misreading of the purported "lessons of Germany."

The cost of unification for a divided nation is not a predetermined sum, fixed and immutable. It is a quantity, rather, determined by human action and government policy. For better or worse South Korea is not yet a welfare state, and its labor market continues to be exposed to and conditioned by fierce competitive forces. However else a Korean reunification may suffer by comparison with Germany, Korea would be free from the fiscal burdens and the sclerotic restrictions that necessarily devolve from the arrangements of a "social market economy." This difference speaks to an inherent Korean advantage in reunification—and hardly an inconsequential one.

Indeed one can imagine other ways in which integration of the two Korean economies could produce benefits for both. South Korea, for example, is today beginning to experience symptoms of labor shortage. Illegal immigrants are now a fact of life in Seoul: the main rail station downtown is now the site of an early morning market for foreign day-laborers, with Filipino, Bangladeshi and other workers negotiating temporary employment with local small businesses. (As many as

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45,000 illegal immigrants are believed to have come to South Korea thus far to fill jobs South Koreans cannot or will not take.) With reunification the South's incipient labor shortage could be immediately relieved. In theory it would be possible to raise purchasing power for workers from the North, reduce production costs and inflationary pressures in the South, and improve Korea's overall competitiveness in international markets. Such opportunities, of course, might not be grasped for a variety of reasons. The point, however, is that these promising economic prospects and others would exist—and as a direct result of reunification.

The economic success of reunification in Korea will depend upon Seoul's ability to establish an environment in the North that is conducive to high rates of return on both physical and human capital. Unfortunately it is precisely in its prospects for establishing such an environment in the North that Korea's greatest disadvantage by comparison with Germany may be seen. For today the Federal Republic of Germany and the Republic of Korea are, at their essence, very different sorts of states. Whatever its imperfections the Federal Republic of Germany is a *Rechtsstaat*—a state administering and restrained by the rule of law. To date the Republic of Korea cannot be similarly described. It is this fundamental dissimilarity, perhaps more than any other, that will cloud Korea's future if free and peaceful reunification of the peninsula is in fact achieved.

Holes in Rule of Law

THE REPUBLIC of Korea claims to be a democracy, and by some criteria may qualify as one. Certainly its polity has been evolving in the direction of pluralism. Under its current constitution both the president and legislators of the national assembly are selected by popular election. Since 1987 campaigns for these posts have been genuinely competitive, and tallied results appear to correspond with actual votes. It is no longer inconceivable for the ruling party's presidential candidate to lose, or for incumbent members of the national assembly to be turned out of office. In and of themselves, however, universal suffrage and reasonably fair mass plebiscites do not betoken the rule of law, much less guarantee a civil society or a liberal order. Despite increasing pressures for

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accountability, the fact is that regular, impartial and limited governance remains an elusive ideal in South Korea.

Emblematic of the fragile foundations upon which civil society in South Korea currently balances are the troubles American and other Western businesses encounter in the realm of commerce. Though South Korea's dazzling commercial performance and its outward economic orientation might have been expected to open great local opportunities for foreign concerns, the position of Western businesses operating in South Korea remains marginal, often tenuous. A principal factor in their plight seems to be that foreign corporations in Korea cannot expect protection under South Korean law and may be subject to arbitrary government-enforced restriction, sanction or punishment. In 1990, for example, Seoul initiated a "frugality" campaign against foreign consumer goods; foreign importers of those products and Korean citizens who purchased them were subjected to official, albeit extralegal, intimidation and harassment. Even more recently American and European firms in Korea formally complained that the country's laws for protecting intellectual property rights (copyrights, patents and the like) continue to be largely unenforceable if the injured party is not Korean.

". . . the position of Western businesses operating in South Korea remains marginal, often tenuous."

While foreign firms in South Korea surely suffer from the arbitrary exercise of government power, they are not the group most regularly and severely afflicted. That unwelcome accolade falls upon the Republic of Korea's own citizenry. After all, next to the ordinary Korean, Western businesses in Korea have tremendous recourse if they feel they have been unjustly treated by the state. They have the financial wherewithal to pursue their case through the local courts. They can count upon their home governments to represent their interests through diplomatic channels. Denied all satisfaction, they have the option of withdrawing from Korea and relocating elsewhere. How much more vulnerable the ordinary Korean appears to be by comparison.

One can argue, of course, that the state is no more lawless in South Korea than in many—perhaps most—other Asian countries. Moreover, however lawlessly the South Korean state may

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have behaved over the past generation, its conduct quite obviously did not forestall rapid and sustained material advance for the populace under its jurisdiction. But as unification approaches, the risks and costs of failing to establish and abide by a rule of law will grow ever greater.

Overcoming Government by Grudge

WHATEVER ELSE may be unclear today about Korea's eventual reunification, it is sure to be attended by turbulence, for which the Clinton administration must soon prepare. It will also be a time of widespread apprehension in the North. The population of North Korea has known scarcely anything other than harsh Japanese colonialism and communist dictatorship. To the extent that they are aware of their history, they know that government by grudge is traditionally Korean—and that grudges have in the past been perpetrated against entire regions. Despite the longing for reunification in Korea, regional bitterness in that divided nation runs deep and has been inflamed still further during partition. Over a tenth of Korea's population perished during the Korean War: most Koreans today can name at least one relative lost to that terrible conflict, and memories of the atrocities committed during the fighting remain vivid.

If deterrence has made possible the opportunities for reunification that exist in the Korean peninsula today, it is the rule of law that offers the key to the nation's alternatives for the future. Can American policy—and American citizens—constructively contribute today to the establishment of secure and uncontested rule of law in Korea? If so, how? The answers to these questions are not obvious. Even so, there can be no doubt about the importance of addressing them. For Korea's success—or failure—in constructing a civil society and a legal order will not only affect the well-being of the Korean people long after the division of the peninsula is formally ended, but will shape the nature of international security in northeast Asia in the years to come.

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SOUTH ASIA'S TAKE-OFF

Charles H. Percy

The Region Turns To Market Economics

CHANGING ECONOMIC and political systems in India, Pakistan, Bangladesh, Nepal and Sri Lanka are providing the United States with opportunities to reinvigorate diplomatic and commercial relations in south Asia. Despite democratic and market reforms in the subcontinent, U.S. government and business leaders still place a low priority on the region. Further, most attention devoted to the subcontinent focuses on nuclear or strategic issues, which, while certainly important, are not the only U.S. interests in the region.

In recent years India's democracy has survived ongoing separatist and communal violence and Rajiv Gandhi's assassination; Pakistan has held two national elections and, while the civilian democracy is still tenuous, it remains intact; Bangladesh overthrew its military leadership and established a parliamentary democracy; and Nepal has created a constitutional monarchy and held legislative elections.

On the economic side, governments in south Asia have realized that insular, state-run economies have not achieved the levels of growth needed to catapult their large populations out of poverty. Instead these policies isolated their countries and denied them the benefits of international trade and investment. While isolationism may have seemed an attractive course, political and business leaders across the region now acknowledge the need to integrate into the global economy.

In the past the United States had supported autocratic regimes in south Asia, primarily for strategic reasons. In today's post-Cold War environment Washington is largely neglecting the region even though it now better meets American democratic standards. Similarly, the United States needs

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to do more to ensure that the region's economic liberalization is irreversible and that there is no backsliding into the tried and failed socialist past. U.S. policymakers do not fully appreciate the potential impact of south Asian trends on America's long-term economic interests.

Struggle to Sustain Fragile Democracies

DESPITE EXTRAORDINARY challenges, India's democratic institutions have functioned relatively well since the country achieved statehood in 1947. Having faced partition, numerous internal separatist movements and other militant activities within its borders, India's democracy has endured.

One of the most telling signs of the strength of India's system was its ability to complete the electoral cycle interrupted by Rajiv Gandhi's assassination in June 1991. While many observers predicted political and social chaos in the wake of Rajiv's assassination, citizens and leaders alike prevented repetition of the carnage that followed Indira Gandhi's assassination in 1984.

Another indication of the depth of India's democracy is its increasing pluralism. In last year's elections the Hindu Bharatiya Janata Party (BJP) was a major force, winning a significant number of parliamentary seats and state governments and becoming the major opposition party to the Congress (I). Former Prime Minister V. P. Singh's party, Janata Dal, continues to be vocal if splintered, as are numerous regional parties and leftist groups, including two communist parties. Just as significantly the Congress (I) itself appears to be becoming more democratic. Internal party elections were held earlier this year for the first time in more than 20 years.

India still faces numerous challenges to its democracy. Major separatist disputes, especially in Kashmir and Punjab, are clearly the most dangerous. Religious, communal and caste violence have already brought down one government (that of V. P. Singh) and could threaten others. But there are more mundane problems as well. Corruption is still rampant in many party and government cells. Votes are bought and protesters paid to agitate. Numerous middle-class voters and business leaders feel alienated from the system and express

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disdain for politicians. Yet India appears able to manage such challenges over the long term.

Pakistan, created in 1947 and reconfigured in 1971 after losing its eastern half, has largely been ruled by a series of military leaders interspersed with volatile experiments with democracy. Pakistan's democratic institutions have not proven resilient; they have regularly fallen prey to the ascendent political or military leader.

Pakistan's recent record mirrors the fragile restoration of its democracy. After General Zia ul-Haq's death in 1988, Ghulam Ishaq Khan became president through constitutional procedures, though clearly with the military's support. Elections were held as scheduled that November, during which the Pakistan People's Party (PPP) won a plurality of seats and Benazir Bhutto was elected prime minister. Bhutto subsequently was ousted from office in 1990 by questionable means on controversial charges of corruption and mismanagement—but even in this case constitutional procedures were generally followed. Most observers considered the elections held later that year to have been free and fair. Prime Minister Nawaz Sharif of the Islamic Democratic Alliance was elected, and he cobbled together an impressive if uneasy governing coalition.

"Despite the continuing clout of Pakistan's military, its overt return to power seems unlikely."

Yet Pakistan's constitutional system seems to be under constant threat. Prime Minister Sharif has lost two important members of his coalition after contentious disputes, and his party's relations with the opposition PPP are venomous. Indeed, unlike India, there is every reason to be concerned that Pakistan's democratic structures may not be able to withstand further challenges. First, Pakistan confronts well-armed separatist movements and "bandits" that threaten citizens, the government and the military. Second, party politics are even more volatile than in India. Third, military intervention always looms as a means to restore order to both the country and the government; most would agree that the military remains Pakistan's most durable institution.

Despite the continuing clout of Pakistan's military, its overt return to power seems unlikely. There is little evidence that the army—with executive as well as military power—could

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better contain problems in volatile regions, such as in Sind. Further, the United States has made clear that it would not welcome another military takeover in Pakistan. The U.S. aid cutoff stemming from Pakistan's development of nuclear weapons has diminished American influence in Pakistan. However, Pakistan wants to be a global player both politically and economically, and it needs American support to succeed. The U.S. stance on democracy, therefore, has become a part of Pakistan's political debate.

Bangladesh has returned to democracy after a long hiatus under the dictatorial rule of General Hussain Muhammad Ershad. During a series of dramatic events in 1990, the opposition Awami League and Bangladesh Nationalist Party (BNP) organized protests against the Ershad government. Strong student protests and a violent general strike forced Ershad to call a state of emergency. Unable to control these forces, he was compelled to resign.

When parliamentary elections were set for the following February, the BNP achieved a plurality, and Begum Khaleda Zia was appointed prime minister. One of the government's first initiatives was to amend the constitution to shift from a strong presidential system to a parliamentary system. A nationwide referendum approved the revision by September 1991, only one year after the outset of demonstrations that had displaced Ershad.

Bangladesh's success in eliminating its dictatorship has not established a solid democratic foundation for the government. Among their many problems Bangladesh's political parties have come under fire for lack of internal democracy and inability to control violent student factions. Bangladesh's severe economic constraints will also continue to hamstring the government.

In perhaps the least publicized overthrow of a government the people of Nepal in 1990 ended the country's monarchical and "partyless" democracy system and established a multiparty democracy with a constitutional monarchy. After a series of sometimes violent demonstrations and general strikes led by banned political parties, urban intellectuals and the middle class, opposition leaders succeeded in convincing King Birendra to allow parties to exist, to appoint an opposition party leader as prime minister and to agree to hold elections and promulgate a new constitution. In a surprisingly short period of time leaders rewrote the constitution, limited the powers of

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the monarchy, established a parliamentary system and scheduled elections. National legislative elections were held in May 1991, and the Nepali Congress Party won a decisive victory. The country's fundamental unfamiliarity with democracy as well as the economic burdens of severe poverty and totally inadequate infrastructure are the main threats to Nepal's fragile democracy.

Need for Foreign Capital

SOUTH ASIAN GOVERNMENTS have recognized that improving their economies must be their foremost priority to ensure stability at home. They have largely accepted that their inward-looking, centrally planned economic policies have failed, while the countries that have prospered around the globe are those with dynamic private sectors. Taking these factors into account, leaders in the subcontinent have instituted economic policies that reduce the public sector's role in the economy, decrease state regulation of private industry and embrace the global economy by encouraging foreign investment and promoting exports.

Indian Prime Minister P. V. Narasimha Rao announced just weeks after his election in June 1991 a surprising series of policies that shook the Indian economy to its roots. The government devalued the rupee, abolished most industrial licenses and offered automatic approval for foreign investments and technology agreements in priority sectors. American and Indian business leaders praised these initiatives.

"They have largely accepted that their inward-looking centrally planned economic policies have failed."

Over the past year the Indian government has implemented additional liberalization policies. The rupee has been made partially convertible, tariffs have been reduced, capital markets have been partially opened, and import license requirements have been removed for most items. The government has attempted to reduce the budget deficit and to raise foreign exchange reserves, which had been dangerously low.

But now India's reforms have slowed considerably. Underlying political and economic problems threaten to limit the impact of the new policies and the continuation of the reform's

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quick pace. The financial scandal that rocked India's stock markets earlier this year has provided ammunition to opponents of reform who warn of the dangers of deregulation and reliance on the private sector. Clashes between Hindus and Muslims in the state of Uttar Pradesh over construction of a temple on the site of a mosque continue to occupy the Union government, as does recurring ethnic violence in Punjab and Kashmir.

India also faces significant economic challenges. Growth slowed last year due to restrictions on imports, lost markets in the former Soviet Union and high interest rates, and is barely recovering. Inflation has been high by Indian standards, but it has eased to single digits and appears manageable. Exports have not expanded at rates predicted by the government, while imports have grown, and maintaining the budget deficit at a level agreeable to the International Monetary Fund is a constant struggle. To date India has kept these difficulties under control, but has not yet solved the basic problems of its economy, including a system of massive subsidies and a vast array of inefficient state-owned industries.

The responses from the United States and other industrial countries to India's reforms are crucial. India needs the capital and jobs from increased investment and trade to assure continued support for its reforms. In the first 15 months since the reforms were announced India has approved over $1 billion of foreign investment; by comparison in 1990 it had approved only $90 million of investment. Still the figures are low for a country of India's size; in the first quarter of 1992 China received $6.5 billion worth of foreign investment. While India's dramatic turnaround reflects some success in boosting investor confidence, foreign companies remain wary of a slowdown in the reforms and of excessive bureaucratic interference.

In the months before India initiated its reforms Pakistan had already begun to restructure its economy. Immediately after assuming office in November 1990 Prime Minister Sharif announced a bold series of reforms to reduce government involvement in the economy, to privatize public-sector companies and to encourage private-sector growth. The government also opened most sectors to foreign investors and reduced financial and bureaucratic obstacles to businesses. The Sharif government is striving to attract greater foreign inflows of capital, technology and jobs to invigorate Pakistan's economy.

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While these reforms should lay the foundation for better long-term economic prospects, Pakistan's economy faces many immediate financial and political hurdles. The budget deficit still consumes a significant portion of GDP due to heavy defense spending and debt repayment, and an inability to slash spending will threaten future loans from international lenders. The trade deficit has also widened and foreign exchange reserves have dropped.

Nevertheless Pakistan has had some significant achievements. In 1991 it had the highest growth rate in south Asia at 6.4%. Many state enterprises have been privatized, although not at the anticipated rate, and a number of major infrastructure projects are under way, including desperately needed power plants. However, devastating floods have threatened many of Pakistan's recent gains.

Pakistan's political instability will provide the biggest obstacle to effective economic reform. If the government is not able to implement its policies, its announcements will have no value. If the military threatens the government, confidence will plummet. If Pakistan continues to be racked by violence, investors will lose interest regardless of new policies. A precondition of economic growth is political stability and an ability to focus attention and resources on issues of development.

U.S. companies, currently the leading foreign investors in Pakistan, have benefited from improved customs procedures and decreased government regulations, as well as the ability to hold dollar accounts, to expand investments and to own 100 percent equity in direct investments. Greater international commerce with Pakistan would help cement economic reforms and create a more prosperous state that could play a larger role in the global economy.

Sri Lanka, Bangladesh and Nepal have also fully participated in the regional trend toward liberalized economies. Their policies are characterized by reduced government regulation, efforts to strengthen the financial sectors, increased infrastructure investment, encouragement of foreign investment and export promotion. More so than in India and Pakistan, these governments have maintained a strong state presence in certain sectors and plan to keep a "mixed economy" to supplement their still developing private sectors.

As in India and Pakistan greater foreign investment or trade would provide a boon to the economies of these three smaller countries and contribute to their growth and stability. The

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U.S. government is making some effort to develop commercial ties in the region. Earlier this year the U.S. and Sri Lankan governments signed bilateral tax and investment treaties and an intellectual property rights agreement. In 1991 the U.S.-Bangladesh bilateral investment treaty was also concluded. And in Nepal the U.S. embassy has made it a priority to make American companies aware of specific business opportunities, particularly in major infrastructure projects.

Is the Reform Process Irreversible?

NOW THAT MARKET forces have been unleashed, India and other south Asian economies have the potential to become major players in global trade. However, the governments in the region must continue to deregulate and open their economies to achieve the full benefits of liberalization. In this regard, for example, the Indian government has yet to enunciate its long-awaited "exit policy" to shed money-losing state enterprises. In Pakistan, the region's other economic power, the government must gain control of its budget and channel funds to more productive uses.

Regional leaders are quick to claim that the reform process, given the economic baggage of their socialist past, is necessarily slow but "irreversible." In fact many of these leaders now face politically excruciating decisions of laying off a massive number of workers in state-owned enterprises and of cutting subsidies, including to the agrarian majority of their populations. Their reluctance is heightened by unsettled domestic political conditions across the region.

The United States can assist the region in overcoming its numerous economic challenges. But to do so the U.S. government at the highest levels must acknowledge its interests in promoting greater prosperity in the subcontinent and in developing a stronger, more active policy toward the region. There are a number of simple yet effective options available to Washington.

"An effective means of conveying U.S. interest would be a presidential trip to south Asia early in the new term."

An effective means of conveying U.S. interest would be a presidential trip to south Asia early in the new term. A trip to the region would show that south Asia, long seen as a backwa-

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ter, is a priority to the Clinton administration. The mission would also raise American awareness of developments in south Asia and provide an important opportunity to encourage greater trade and investment. Beyond the White House, top officials in the State and Commerce departments should also devote greater attention and resources to efforts in the region.

Second, the United States should establish a more constructive relationship with the countries of south Asia, one based on shared democratic principles and economic opportunities. Washington must discard its Cold War approach to relations with south Asia and stop viewing the region primarily in terms of its potential threat to U.S. interests. The United States should recognize that democracy and market-oriented reforms underway in the region are consistent with U.S. interests. Washington's most effective course is to raise south Asia's profile in the corporate community and to direct greater resources for commercial programs in the subcontinent.

Third, U.S. businesses should pay more attention to long-term growth prospects and build on America's advantage as the region's largest trading partner. A rapidly growing south Asian middle class—coupled with industries that demand investment and technology—is helping to create one of the world's most important emerging markets, and an economic expansion that improves the region's living standards will lead to greater political stability. For U.S. political and business circles alike south Asia deserves a higher priority.

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SPECIAL REPORT: POLICYMAKING FOR A NEW ERA

The following recommendations for reorganizing the U.S. government for the post-Cold War era are adapted from a memorandum to the president-elect from a bipartisan commission co-sponsored by the Carnegie Endowment for International Peace and the Institute for International Economics. Members of the commission are listed on the following page.

Harnessing Process to Purpose

You have won the presidency at a unique juncture in America's history. The decline of America's global competitiveness, economic stagnation and the end of the Cold War have transformed the policy agenda. To address these new challenges you will need to harness government process to administration purpose and to make the powers of the government work for you.

Twice in recent American history great crises propelled presidents to restructure the government. In 1933, facing deep economic crisis, Franklin Roosevelt began a far-reaching reform of domestic agencies. In 1947, confronting a new challenge from abroad, Harry Truman carried out a historic reorganization of the U.S. national security structure.

As in 1933 and 1947 new circumstances and new policies require new machinery. If America wishes to compete successfully in the new global economy and to deal effectively with other "new priorities," reorganizing the government for the post-Cold War world is a necessity, not a luxury. But the sweeping organizational reforms of those earlier eras are today probably out of reach or excessively costly in terms of time and political capital. This commission believes that the times call for a middle course: a series of highly targeted changes that would make a difference.

Thirty years ago President Dwight Eisenhower, who believed deeply in the importance of good organization, observed that bad organization "can scarcely fail to result in inefficiency and can easily lead to disaster." In that spirit this commission offers some suggestions on how to reshape the tools at your disposal. In general it has avoided recommending changes that require congressional action. Suggested reforms that do require legislative approval were included only after informal consultations with members of Congress led this commission to believe that, if backed by the administration, they would be favorably considered on Capitol Hill.

America's current circumstances both allow and indeed demand a shift of priority and resources away from national security, as traditionally defined, and toward the broader problems of making America competitive in a global economy. Foreign threats to national interests have not disappeared, and America's existing national security structure must be maintained. But the present system, by failing to integrate economic and other global concerns, makes it virtually impossible to develop a coherent and effective national strategy for the post-Cold War era.

To make the government work effectively, it is essential to break down the bureaucratic walls still separating increasingly interrelated issues. Organizing the government requires, first and foremost, organizing the presidency.

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Your principle policy challenges will almost never fall within the purview of a single department or agency. From trade to the environment, from drug policy to education, the issues cut across established bureaucratic boundaries. In these circumstances, no matter how strong a cabinet you assemble, White House leadership in formulating strategy and policy is essential for a successful administration.

The objective of this commission has therefore been to identify and recommend to you a system that manages interagency policymaking from the White House but brings the cabinet departments into policy discussions early, one that upgrades the new global and economic agenda to a higher level and combines flexibility with coordination.

The Transition

The successful launch of your presidency begins during that special period in American political life known as the transition. It must be used wisely; too often the seeds of future problems have been planted during the euphoric weeks between election day and inauguration.

This commission believes you can safely defer presidential appointments to senior positions for four to six weeks, as previous presidents-elect in full transitions between the parties have done. It strongly recommends that you delay all major appointments—including your senior White House policy assistants—until you have made fundamental decisions about priorities and organization. It suggests that you try to announce senior appointments in "clusters" of people who will have to work together closely; for example, all the members of your top economic team might be unveiled at the same time.

"Choosing a team, not a group of individuals," has been a laudable slogan of every recent transition, but it has not always worked according to plan. The people you appoint must agree with and share your basic objectives, rather than try to reshape them. It is equally important that they understand and accept how the job they have been offered fits into your system of governance. They must be loyal not only to you personally, but also to your goals and—something more difficult—to each other.

Feuding and disloyalty among senior political appointees has been a continual and costly problem for recent presidents, and yours will be no more immune than generations of their predecessors. Once chosen they will take on the coloration and biases of their new posts, reducing your maneuverability and the chances for organizational reform—if it has not already been secured. Only if you match your appointments to your purposes and priorities will that group of individuals become a real team.

The White House

Each president's individual style is the essential determinant of how the White House functions. In any administration the goals are the same: to organize the White House staff in order to lead the entire executive branch, to maintain the initiative with Congress, to reach out to the public for broad support, to formulate programs and priorities and to get decisions implemented.

But even as it shapes interagency policy and negotiates with Congress, the White House should not turn into an operational agency, a role for which it is ill-suited. The great

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COMMISSION MEMBERS (continued)

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domestic departments, with their statutory and administrative responsibilities, cannot be run from 1600 Pennsylvania Avenue. Your staff should not cross the fine line between strategy and implementation, between policy formulation and operations. Watergate and Iran-contra, among other examples, illustrate how dangerous this temptation can be.

Modern government requires both strong cabinet members and a strong White House staff. They must understand their distinct roles before your administration takes office. The United States does not practice cabinet government, in the parliamentary sense. It has cabinet members, but the cabinet does not make decisions; the president does, and that distinction is central to America's system of government. Moreover it is not the primary duty—much less the practice—of cabinet officers to think in interdepartmental terms; they properly try to advance their own departmental interests. But cabinet officers must do more than run their departments; they should be influential voices in policy debates.

Despite its flaws the National Security Council system that exists today has evolved into a policy coordinating mechanism with no clear parallel on the domestic side of government. This commission's central organizing principle for the White House is based in large part on that experience.

This commission recommends placing all policy coordination in three coequal councils: the National Security Council, the Economic Council and the Domestic Council, each supported by a professional staff. Alongside the consolidation and elimination of several unnecessary offices, this structure could result in a more efficient, less fragmented and smaller White House.

Each of these three councils would consist, as the National Security Council system already does, of three basic components: the council itself, a formal body chaired by the president and composed of cabinet-level principals; a senior, widely respected assistant to the president, supported by a professional staff; and sub-cabinet level machinery, chaired either by the assistant to the president or by an appropriate sub-cabinet official, with staff work coordinated by the proper White House council staff.

The choice of who chairs a sub-cabinet group is important: it can help determine outcome; it can also carry symbolic weight, signaling the status of a cabinet member.

Each of these three key presidential aides should carry a title that is simple, stripped of adjectives and qualified only by a single introductory article: *the* assistant to the president for national security affairs; *the* assistant to the president for economic affairs; *the* assistant to the president for domestic affairs.

There would of course be other important presidential assistants responsible for press relations, legislative strategy, public outreach, political affairs and other matters. But these three assistants would be your work horses, the senior team through which to forge and coordinate new policies. They must work well together; turf battles would be immensely costly to the entire administration. All three would have direct face-to-face access to you, although the chief of staff should always be fully informed so that he or she may play the critically important coordinating role.

When a critical issue falls within the range of more than one council,

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which will be common, the relevant council staffs should strive to address the problem to the greatest extent possible as a single policy staff and, by example, compel interagency decision-making in systems that have usually resisted it. Like the three presidential assistants, the council staffs should know each other and interact as close colleagues, not rivals.

The National Security Council: The National Security Act of 1947 created the cabinet-level National Security Council (NSC), the Central Intelligence Agency (CIA), a civilian secretary of defense and uniformed chairman of the Joint Chiefs of Staff to head the combined military services, including a newly independent air force. Although the result of an unhappy compromise between Congress and a badly divided executive branch, the legislation was an organizational prerequisite for the success of those historic policies—the Truman Doctrine, the Marshall Plan, containment, NATO and the first foreign aid programs—that were put into place at the same time.

This commission does not wish to weaken the NSC system. In a still dangerous world the nation cannot abandon its global leadership role. Moreover the nation must preserve the capability and the will to use force, if necessary, to protect American interests. The NSC system remains an essential safeguard for the nation's security—but it should be modernized and better integrated with the economic and domestic portions of government, enabling it to deal more effectively with the "new" economic and global issues.

Although the need to integrate foreign and domestic economic matters, and economic and geopolitical policy, is an article of faith, the failure to do so is endemic. In recent years the NSC system has, if anything, narrowed the definition of its responsibilities. Four of the last five national security assistants have come from the military. At the deputy level a similar situation has existed. Regardless of the personal abilities of the men who have held these positions, this staffing pattern has led to an undesirable emphasis on just one area of national security.

This commission thus recommends that you instruct your assistant for national security affairs to work closely with the assistant to the president for economic affairs and strengthen significantly the NSC's staff capability in areas such as international economics, the environment and humanitarian affairs.

The National Security Act specifies only four statutory members of the NSC: the president, vice president, secretary of state and secretary of defense; and two statutory advisers—director of Central Intelligence and the chairman of the Joint Chiefs of Staff. Some observers have recommended legislation broadening the NSC to include Treasury, the U.S. trade representative and Commerce. This commission urges that the secretary of the treasury and other relevant officials be included in national security deliberations, but since you are free to invite anyone you wish to any meeting or committee, seeking congressional approval for a statutory change in NSC membership offers nothing but minor symbolic value.

The Economic Council and the Domestic Council: Two closely allied councils should be established under your personal chairmanship to forge and coordinate policy in the economic and domestic arenas. Responsibilities, functions and personnel will inevitably overlap, but a majority of this commission believes that

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creating two councils—one focused on economic policy and the other on domestic—offers the best structure to manage these issues.[1] There will be disagreements over which council should handle certain issues; that is a matter only you or your chief of staff can decide. The chief of staff must ensure that the three staffs work together wherever possible, and that all relevant aspects of issues get adequate attention. Each assistant would have an "affirmative responsibility" to keep the other two assistants apprised of any policy issue under review that might affect them.

The Economic Council and its staff would be your instrument for assuring that economic policy gets attention equal to traditional national security, working closely with the NSC and its staff when international economic issues are under consideration and with the Domestic Council and its staff on domestic matters. The new position recommended—assistant to the president for economic affairs—would become an important senior member of your economic team. It is vitally important, however, that the secretary of the treasury remain your principal spokesperson on economic affairs.

The Domestic Council would fulfill the same coordinating role for those issues that lie primarily within the domestic sphere, including housing, education, transportation, civil rights, crime, welfare and more. Like your other two assistants, the assistant to the president for domestic affairs—a job for which there are many different precedents, none as clearly defined as this proposal—should be a major figure in policy decisions. However, the cabinet officers, not White House staffers, should be your principal public advocates for their areas of responsibility.

In addition to your position as chairman of each of the three councils, members of the Economic Council might include the vice president, secretary of the treasury, director of the Office of Management and Budget, secretary of state, the U.S. trade representative, secretary of commerce, secretary of labor, secretary of agriculture, secretary of energy, chairman of the Council of Economic Advisers and secretary of the environment (a post whose creation this commission recommends).

The Domestic Council would for obvious reasons include the largest number of members, constituting, in effect, a cabinet committee. Every member of the Economic Council except the secretary of state and the U.S. trade representative would also have a seat on the Domestic Council, and every domestic cabinet department would participate when policy affecting their subject areas was under discussion.

Critically important work would be done for both councils by subcabinet groups, which would replace a large number of existing committees and subcommittees. Each such group would be chaired either by the appropriate assistant to the president or by a designated cabinet or sub-cabinet official. Thus discussions on fiscal and tax policy would be chaired by Treasury. An essential

[1]Several members of this commission believe that the Economic Council and the Domestic Council could be merged, with a single assistant to the president for economic and domestic affairs, on the grounds that, in the words of Rudolph Penner, there will be considerable overlap between separate councils, and on many issues, complete overlap. A majority of the commission, however, feels that this creates too broad a span of issues for one person to handle.

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difference from past practice is that the formulation of interagency policy would be coordinated by the relevant White House council staff, which works for you, and not by any one department.

Of course meetings of the economic and domestic councils would rarely include every one of their members. Most often meetings, if properly scheduled, would consist of those members with concern for the issues under discussion. The three presidential assistants would be free to send a representative to meetings of the other councils.

This council system would largely supplant formal cabinet sessions and allow you to reduce significantly a redundant portion of the White House staff—those officials tasked with staffing the cabinet. At present, there are four presidential assistants working on cabinet affairs: secretary to the cabinet, director of cabinet affairs, deputy assistant to the president for cabinet liaison and special assistant to the president for cabinet liaison. In addition there are also a staff secretary and an assistant staff secretary—the former an assistant to the president, the latter a special assistant. These positions could be combined into one job whose responsibility would be to manage—under the direction of the chief of staff—the flow of paper between the president, the White House staff and the cabinet. This change would eliminate at least four senior assistants to the president.

Finally, for maximum interaction between the three presidential assistants on policy, this commission recommends that all three, plus the vice president and the chief of staff, participate in the daily morning presidential briefing that has historically been the exclusive domain of the national security adviser. By doing so you would be demonstrating, in the most physical sense, your determination to break down the barriers between the national security world and the rest of the White House.

The Chief of Staff

Every president must decide whether to have a chief of staff and, if so, what responsibilities and authority to delegate to that position. This question carries great implications for the success of your presidency.

The personal experience of members of this commission ranges from Eisenhower's "tight ship" to the less rigid, more informal systems of Democratic presidents since 1945. Yet this diverse group unanimously believes that, whatever the personal style of the president, the modern presidency requires a strong chief of staff—not an all-powerful prime minister, but an "honest broker" with broad coordinating responsibilities over the rest of the White House staff and the cabinet, someone who knows the president's political and policy desires and makes sure that they are adhered to. The chief of staff should have the president's full backing and confidence—so much so that he or she feels comfortable presenting the president with bad news, if necessary.

The chief of staff should be an interpreter of your thinking, not a deputy president. Since the power that resides with the job is immense, it is essential to select someone who does not have a separate personal or political agenda. Your chief of staff must think of your interests and your interests only, not suppressing the views of other senior officials but making sure that when they reach

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you, they contain congressional, political and policy considerations.

This commission recommends against dividing the coordinating responsibilities between two people—one for policy, the other for politics. No matter how much coordination there is between a chief of staff for policy and a separate senior political adviser, such a division would keep politics and policy on separate tracks up to the moment they enter the Oval Office—thus inviting continual conflict.[2]

The chief of staff should oversee the rest of the White House staff, including the three presidential assistants for national security, economic and domestic affairs. He or she should sit in on all national security and other important presidential briefings. In case of inevitable disagreements over which presidential assistant or which council staff has responsibility for an issue, the chief of staff should make the decision, with your involvement only if necessary.

The Vice President

The vice president is a unique asset. His role requires careful consideration. Some people have been tempted by the idea that the vice president should function as a de facto chief of staff or as a policy coordinator for a specific area such as space, drugs or competitiveness.

This commission recommends, however, against tying the vice president down to such specific assignments, especially at the outset of the administration, when any weak spots are not yet apparent. Assigning him a role as a coordinator in some specified area would diminish his potential availability as your most valuable emissary or troubleshooter when some problem or crisis—domestic or foreign—needs a high-level course correction.

It is inevitable that these crises will occur, no matter what structure and people you choose. Acting in your name, the vice president—the only other elected person in the executive branch—should be used to pull together the resources of the executive branch in a domestic emergency or to carry out some delicate foreign mission in support of your foreign policy. There are times when, other than yourself, the vice president will be the only person with the ability to get such jobs done—and that is where his greatest value lies.

In addition the vice president should participate in the regular national security, economic and domestic briefings on your schedule.

Beyond the White House

Because this commission believes that restructuring the presidency is your first organizational priority, it has focused attention on the White House. However, it has identified a limited number of changes beyond the White House that are essential if you are to advance your agenda. This commission also recommends that you launch a series of high-level reviews of certain parts of the government that should be restructured in the post-Cold War era, but which do not require immediate action.

Economy and the Environment

Three areas that demand attention are trade, competitiveness and the environment. At present, how-

[2]To strengthen the chief of staff's position, especially in dealing with cabinet members, you have the option, which some members of this commission favor, of assigning the position cabinet rank (without Senate confirmation), as did some of your predecessors.

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ever, responsibility for each is diffused through different parts of the government. If left unchanged, the present unsatisfactory situation would severely inhibit your ability to achieve your goals in these high-priority, high-impact areas.

This commission suggests that you address all three areas simultaneously, centering responsibility for each in a single department or agency and realigning the bureaucracy to enhance and reinforce your intent. Dealing with all three areas at once presents an opportunity for a dramatic proposal that would offer something to advocates of each and reduce the opposition of those who fear a loss of power through reorganization.

Specifically this commission recommends the following:

—upgrade by executive order the status of the U.S. trade representative to be your sole trade negotiator, senior trade adviser and sole spokesperson on trade policy, as well as the person primarily responsible for ensuring that trade agreements are implemented;

—establish by executive order that henceforth the primary mission of the secretary of commerce is to promote the nation's competitiveness;

—propose legislation to create the Department of the Environment—not merely an upgraded Environmental Protection Agency (EPA)—but a department with new responsibilities that combines elements from other parts of the government.

Trade: In the post-Cold War period America's trade and commercial interests have received increased government attention, but more needs to be done. Confusion between the roles of the U.S. trade representative and the secretary of commerce continues, so much so that in foreign eyes the United States has often appeared to have two "trade ministers." This confusion can also lead to conflict in Washington, as happened during President Reagan's first term.

Moreover certain important commercial agreements, including civil aviation, maritime and fisheries, are still negotiated by the Department of Transportation and the State Department—the result of outmoded historical and political legacies.

This commission recommends that you center all trade and commercial negotiations in the U.S. trade representative. Within the structure of the Economic Council, the U.S. trade representative would still chair the statutory Trade Policy Committee, which should be resuscitated and returned to its former status as the coordinator of America's trade positions.[3]

Commerce and Competitiveness: This leaves the perennial question: What is the role of Commerce? Over the years it has become a sort of catchall for a group of separate agencies, such as the National Oceanic and Atmospheric Administration (NOAA) and the Bureau of the Census, that have little rational reason for their present location.

This commission believes that you should give Commerce coherence

[3]Some members of this commission believe you should go further in a second phase of trade reorganization and propose consolidation of all trade and commercial functions within a single department or agency that combines Commerce and the U.S. trade representative in a new Department of Competitiveness and Trade. This would require a significant commitment of your time and political capital, as President Reagan discovered in 1983–84 when his reorganization plan for Commerce and the U.S. trade representative was rejected by Congress.

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and purpose by removing some of these misplaced agencies and assigning it the vital mission of advancing American competitiveness.

The Department of Commerce would act as the primary liaison and coordination point between the public and private sectors to foster commercially relevant research and development, to promote technology transfer, and to coordinate science and technology policy when it affects the nation's commercial interests.

Giving Commerce and its secretary such an important and focused mission would be of direct and immediate benefit to American businesses, workers, environmentalists, the U.S. trade representative and Commerce itself, which would become one of the major departments of government.

The Environment: At present there is no single locus within the executive branch for environmental issues in general or for international environmental issues in particular. In order to bring the environment into the mainstream of decision-making this commission recommends the following:

—submit to Congress a request to create a Department of the Environment that includes, at a minimum, the EPA and NOAA;

—within the White House, fix responsibility within either the Economic Council or the Domestic Council;

—if the cabinet post is created and the White House reorganized, abolish the Council on Environmental Quality (currently 31 people), thus reducing the number of separate groups existing within the executive office; and finally,

—at State redesignate the Bureau of Oceans, Environment and Science as the Bureau of Environmental Affairs, reporting to a newly created undersecretary of state.

These recommendations do not solve every question posed by the present gaps and overlaps in the environmental area, but they would go a long way toward bringing the environment, including its international aspects, to its proper place as a national priority.

State and Defense

If your agenda is to succeed, even those most established government departments—State and Defense—must take account of the vast changes sweeping the world. This commission has not taken on the task of suggesting fundamental reform of these institutions. It suggests only a few changes that bear directly on your ability to move your agenda forward.

State: As the only cabinet department that has as its sole responsibility, under the authority of the president, the conduct of American relations with the rest of the world, the State Department should have a central role in the formulation and implementation of all aspects of American foreign policy, even when the lead responsibility lies with some other department or agency. The secretary of state should remain your principal spokesperson for foreign policy.

Unfortunately the State Department's present structure and traditional "culture" do not adequately reflect the increased importance of global issues and multilateral diplomacy or the complex interaction between domestic and foreign issues. Furthermore State's ability to deal with the bewildering array of new issues that encroach from every direction on traditional diplomacy is severely impeded by its present organizational structure, a structure

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that no longer reflects the realities of a vastly enlarged department.

Until fairly recently, the position of assistant secretary of state was a senior policymaking job. Today the State Department organization chart shows more than thirty offices and bureaus headed by an assistant secretary of state or its rank-equivalent. In theory each bureau reports directly to the secretary of state. In fact the bureaus report to the secretary through a shifting and confused variety of reporting channels—the deputy secretary of state, a layer of four undersecretaries and a counselor.

As a result, far too many issues must either be mediated and decided by the secretary or the deputy secretary, or get lost in bureaucratic stalemates below the top level. At best this system places an excessive burden on two already overburdened people. At worst it leaves State unable to formulate clear positions or give clear guidance to the nation's embassies and missions overseas.

This commission believes that the State Department would function far more efficiently if the undersecretaries were explicitly acknowledged as the policymaking level of State, with each assigned line responsibility and decision-making authority over specified areas. It recommends that you instruct your secretary of state to restructure the State Department so that each bureau would report to one of five undersecretaries, as follows:

—the undersecretary for political affairs (which would remain the number three job in the department) would oversee the six regional bureaus, under the secretary and deputy secretary, with authority for the formulation and coordination of bilateral political affairs, and continue to act as a senior troubleshooter for the secretary and the president;

—a new undersecretary for global and multilateral issues would be established to give the new priorities a voice at the policymaking level of the State Department. It would oversee the newly structured Bureau of Environmental Affairs, as well as the bureaus responsible for refugees, human rights, terrorism, narcotics, population and similar issues that currently have no permanent voice on the seventh floor;

—the undersecretary for economic affairs would directly oversee the Bureau of Economic and Business Affairs (which is not automatically the case at present), deal closely and continually with the six regional assistant secretaries of state and their economic deputies and actively participate in the work of the Economic Council;

—the undersecretary for international security affairs would take over responsibility for the residual functions of the Arms Control and Disarmament Agency, which this commission recommends be abolished; and run State's Political-Military Bureau (which currently has more than one reporting channel to the secretary). This undersecretary should supersede the director of ACDA as the focal point for these important Cold War residual issues, including negotiation and verification of arms control agreements, nuclear proliferation, collective security arrangements, security assistance and arms sales;

—the undersecretary for management would continue to be responsible for State's administration, budget and personnel.

Defense: Now that the threat for which the U.S. armed forces have been primarily designed is gone, the nation faces a number of complex

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issues with far-reaching implications—particularly how the military services should be tailored to fit a changed national security environment, while still protecting U.S. interests.

Decisions you must make will have implications, including domestic economic ones, for decades to come. This commission believes these issues require careful and early study. Yet this commission's limited focus on organizational changes that would enhance your post-Cold War agenda leads it to recommend a significant change in only one area early in your administration: American support of United Nations and other multilateral peacekeeping and peacemaking efforts.

Regional and internal threats to peace will be a staple on the world scene in the years ahead. The crises in Somalia and what was once Yugoslavia are likely to be precursors, not exceptions, and, as was the case in Desert Storm, multilateral or collective action will be preferable to unilateral American responses. Unless the United States relies more on collective solutions to military challenges, they are not likely to be dealt with at all.

This commission believes that greater American support for both U.N. peacekeeping and peacemaking efforts is a national security objective in which policy and a reorganizational effort should move forward together. In his September 21 speech to the U.N. General Assembly President Bush made several useful proposals to improve U.N. peacekeeping capabilities as well as to increase the American support for them. But the U.N. Secretary General has made a series of even more ambitious proposals to which the United States needs to formulate a response.[4]

Peacekeeping is only one role the United Nations is called on to undertake. Peacekeepers can maintain a peaceful situation with a military presence but cannot carry out military operations or bring peace to an area in which fighting is going on, as in the former Yugoslavia. For such contingencies the United Nations must be able to mount collective efforts to enforce peace under chapter VII of the U.N. Charter. Its members must be prepared to deploy combat-ready troops, to marshal the logistics and intelligence necessary to support them and to plan for potential deployments in advance. Without American leadership there is little likelihood of a significant international commitment in this vital area—and the long-term costs to the nation and the world in refugee and relief activities and political chaos will increase enormously.

This commission recommends that you start a process of enhancing U.S. support for U.N. peacekeeping and peacemaking, bringing Congress and American military leaders into the discussions at every stage. It proposes the following measures:

—strengthen responsibility for U.N. and other international peacekeeping and peacemaking efforts in the State Department and Defense Department. Strengthen the staff capability of both the State Department and the Pentagon in this area;

—move the funding for the U.S. contribution to U.N. peacekeeping efforts from the State budget to Defense. While such a funding change is never easy, this commission be-

[4]See Boutros Boutros-Ghali, "Empowering The United Nations," pp. 89–102; and Colin L. Powell, "U.S. Forces: Challenges Ahead," pp. 32–45, *Foreign Affairs*, Winter 1992/93.

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lieves that some form of compromise between the Foreign Affairs Committees and the Armed Services Committees (perhaps joint hearings, as several members of Congress suggested to this commission) would be possible, given the obvious national interests involved;[5]

—establish a major military command, headed by a three- or four-star officer, to support U.N. military operations and, if necessary, U.S. participation in them. This new command would have the responsibility for planning, establishing doctrine and training U.S. forces that might be used in U.N. efforts;

—designate one or two U.S.-based brigades for support of U.N. operations. The current force structure is easily capable of supporting this additional mission. Should military activity commence, these units would come under the control of this command. Actually putting such forces under a U.N. command raises delicate legal and political considerations that must be dealt with on a case-by-case basis with proper congressional approval.

While informal discussions with congressional leaders lead this commission to believe that such proposals are within reach, there will be differences within both Congress and the military about their value. This process can only move forward with strong leadership from you and your secretary of defense.

Executive Agencies

Some of the most successful agencies of the last fifty years, and some of the most controversial, were the direct result of events that began during World War II and that continued through the Cold War. Agencies that now seem part of Washington's permanent landscape were in fact postwar creations spawned of wartime innovations. Today these agencies remain intact. Foremost among the areas that require reevaluation are the intelligence community and the CIA; the foreign aid programs, especially the Agency for International Development; and the nuclear laboratories.[6] Their futures cannot be decided without the most thorough study, which will take bipartisan reviews, with congressional participation if possible, before making any organizational proposals to Congress.

Intelligence: As soon as possible you must identify in broad terms what the proper role of intelligence should be in the post-Cold War world. The importance of this issue requires that you establish and have the views of your own task force. Such a review might be conducted by a group composed of your own outside appointees and of select members of the President's Foreign Intelligence Advisory Board, chaired by your appointee.

This commission then proposes a second study to examine the resources needed for the intelligence mission identified by your first task force and approved by you. OMB should be brought into this second study: resources and funding must match—something often overlooked

[5]An amendment to the FY 1993 Defense authorization has already been introduced by Senator Sam Nunn, allowing up to $300 million from Defense to cover U.S. peacekeeping obligations that exceed what was authorized in the State account. Senator Paul Simon has introduced legislation that closely parallels some of this commission's suggestions concerning the transfer of international peacekeeping from State to Defense. This commission urges strong support from the administration.

[6]This commission does not feel that two other agencies that operate overseas—the U.S. Information Agency and the Peace Corps—require the same sort of scrutiny at this time.

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in the past. Close consultation with the congressional intelligence committees is also essential throughout this process.

Aid: A similar review needs to be undertaken prior to deciding what to do about foreign aid and the Agency for International Development, a beleaguered agency whose functions are still an important part of American foreign policy. The agency's original rationale was to help combat the spread of communism, even though humanitarian and other motives were always present and important. The United States cannot be a global leader without a meaningful bilateral assistance program, and even a small, well-spent budget can provide vital leadership.

It has been variously suggested that AID's primary mission should now be to advance the spread of democracy, to promote free market capitalism, to meet pure humanitarian and disaster relief needs, to address environmental protection and sustainable development or to support U.S. exports. Some have argued that AID should try to do all these things. However, the five rationales together may not add up to one compelling justification for a continued program, even at today's low aid levels—0.2 percent of GDP, the lowest percentage of any industrialized nation except Ireland.

Redesigning the development assistance programs to serve U.S. post-Cold War interests is a complex task. It will take careful study and time. This commission therefore recommends that you appoint a blue ribbon commission to reexamine all aspects of foreign assistance before making any decisions. It should include members of Congress and as many of the affected interest groups as possible.

Nuclear laboratories: A national commission should also be appointed to examine the role of the more than 700 federal labs, which absorb about one-sixth of the nation's scientific and engineering personnel. Its recommendations will inevitably depend in part on what national technology policy you and Congress decide, and its membership should reflect the broader policy implications of its task. At stake is not only a $20 billion per year budget but also the inestimable costs to the nation if these unmatched human and physical resources are dispersed or lost.

Conclusion

This commission has recommended only changes that contribute to effective policymaking. Inside the White House, a chief of staff and three coequal councils for national security, economic and domestic affairs would provide you with a mechanism for a responsive and coordinated administration.

Outside the White House, structural changes are harder. This commission has focused on correcting some glaring weaknesses in the present system in order to allow you to better address issues that require higher priority. Inevitable difficulties will be eased by making key organizational decisions before announcing senior appointments. Changing the way that government does its business is essential to harnessing it to your purposes.

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COMMENT AND CORRESPONDENCE

The articles in Foreign Affairs *convey the arguments and authority of their authors. The editors welcome comment from readers on major points made in these pages or persuasive arguments to challenge the conclusions or implications. To encourage informed dialogue,* Foreign Affairs *will consider publishing substantive and brief responses to published articles. Submissions are subject to normal selection and editing practices.*

FREE TRADE

To the Editor:

In "Trading American Interests" (*Foreign Affairs*, Fall 1992) Professor Alfred E. Eckes argues that for 45 years successive American presidents "have consciously subordinated domestic economic interests to foreign policy objectives." The result: a series of unilateral and nonreciprocal concessions that "may have compromised America's future competitiveness." He cites as examples of unbalanced deals virtually every major trade negotiation since 1945, singling out especially the Kennedy Round in 1967 (which "Japan appears to have won," and the implementation of which "in 1972 coincides with the beginning of a twenty-year decline in domestic earnings and manufacturing jobs"). He cites also a long series of presidential actions denying escape-clause relief allegedly on foreign policy grounds.

For evidence, Professor Eckes relies on selected, out-of-context statements taken from memoranda to the president from secretaries of state and national security advisers—statements to the effect that the United States should accept, for reasons of national security, the results produced by successive multilateral trade negotiations from 1947 to 1979, and that it should reject, for similar reasons, a variety of proposed restrictions on imports. In our opinion, these citations do not imply what Eckes says they imply about why presidents made the trade decisions they chose to make. Moreover we believe that Eckes' implicit definition of what constitutes the U.S. economic interest is fundamentally wrong.

On the first point, it is hardly surprising that officials responsible for foreign affairs would introduce arguments having to do with foreign affairs. We conjecture that foreign ministers in Britain, France, Germany and Japan did the same. On Eckes' reasoning, they too were proposing to sacrifice their countries' economic interests for the sake of foreign policy goals, raising the wholly implausible possibility that the leading market economies of the world have all been made worse off by the postwar movement toward free trade.

Had Eckes drawn on memoranda written by secretaries of the treasury, or chairmen of the Council of Economic Advisers—or had he examined the economic arguments of secretaries of state and national security advisers—he would have discovered why they thought that, on narrowly economic grounds, the United States should, on balance, welcome the results produced by the major postwar negotiations on trade and reject many of the proposals for import relief. As just one example, the first

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paragraph of the four-paragraph recommendation in the May 1967 memorandum from Bator to President Johnson, the last paragraph of which Eckes partially cites, concludes—after three single-spaced pages on the economic arithmetic and congressional politics of the proposed deal—that "in economic terms, failure of the Kennedy Round could lead to the kind of commercial warfare in which we, as a trade surplus nation, have a great deal to lose."

Professor Eckes' assertion that President Johnson, because of his preoccupation with Vietnam, "gave little attention to details of the Kennedy Round" is simply contrary to fact. As the files would show, the president exercised direct control over both broad strategy (for instance, agriculture vs. industry) and much important detail, especially when it came to the numerous items—too many for a harassed staff officer—that were of concern to senior members of the Senate and House. A quick check of the files covering just the spring of 1967 revealed eight other memoranda from Bator to the president dealing in whole or part with the Kennedy Round, and half a dozen presidential meetings on subjects ranging from the "American selling price" of chemicals to the tariff on canned hams.

We believe that examination of the full postwar record on trade would show not that presidents were told they had to choose between America's economic and security interests, and that the second were more important than the first, but that freeing up trade was good both for America's economic well-being and its security.

Eckes seems to imply that the United States would be economically better off today if it had not engaged in the great postwar effort to liberalize trade—an untenable proposition on its face. But if he does not mean that, what exactly does he mean? That U.S. trade negotiators did not negotiate hard enough? That would represent an unwarranted denigration of dedicated officials who by and large, especially after 1962, bore no responsibility for national security or foreign affairs beyond trade. Of course every negotiation involved compromise, by U.S. trading partners as well as by America itself, all in the interest of bargains that, taken as a whole, produced good economic results for all.

Evidently Eckes' case, as also our own, depends on how one defines a good economic result. Eckes' scoring system implies that exports are good, imports are bad, and cheap imports are especially bad. He modulates that classically mercantilist view by acknowledging that balanced increases in imports and exports are all right, but only if negatively affected workers and industries are protected by escape-clause action that provides "import relief." The burden of proof is on any trade policy that would open up U.S. markets and dislocate workers by subjecting American producers to competition from abroad.

We believe that conception of the U.S. economic interest is wrong, and not merely because there is no clean separation between economics and security—political outcomes have bread and butter consequences, as the disintegration of the Soviet Union illustrates. Further, we believe that Eckes' strategy would seriously damage American economic interests narrowly defined. Liberal American trade policies since 1945, far from damaging the American economy, have produced great economic gain. The standard of living of American workers is far higher today than it

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would be had the United States followed the Eckes strategy, even in the absence of repercussions from political effects.

This is not the place to spell out the modern version of the economic case for still freer trade—economic in the sense that it is concerned with achieving an allocation of resources that will enhance the material well-being of American citizens. For pressure on producers to improve productivity, cut costs and search out new opportunities, we rely on competition. Foreign competition plays an invaluable role.

True, there will often be losers as well as gainers. But this is not a zero-sum game. There is a strong general presumption that the total gain for America will far exceed what would be needed to compensate those Americans who lose. That suggests the need for well designed but liberal policies of adjustment assistance, particularly with respect to workers who cannot diversify their stakes the way owners often can. As careful research has repeatedly shown, relying on protectionist trade policy to cushion people from the cost and pain of adjustment imposes a disproportionate toll on the standard of living of Americans taken as a whole.

Happily, when at the end of his article Eckes lists some of the things needed to fix up the U.S. economy—to assure recovery in the near term and, in the longer term, to speed up sluggish productivity growth, in part by reversing the massive shift during the 1980s in favor of consumption and away from saving and investment—his recommendations are generally constructive. In that respect, the last page of his article is entirely different from anything that went before.

The United States has long been a rapidly changing, innovative economy. Foreign trade plays an important part. Like innovation in general, it results in the destruction of particular jobs in particular industries as lower cost supplies and alternative products become available. But that process need not cause a loss of jobs overall—U.S. employment has more than doubled since 1947, from 57 million to 117 million. Aggregate employment is a function of aggregate demand, and of the adaptability and flexibility of the labor force. Aggregate demand, in turn, is powerfully influenced by monetary and fiscal policy. (Incidentally, just as aggregate unemployment is little affected by foreign trade, so the balance of trade is little affected by the degree to which international trade is subjected to protectionist restraint. Trade imbalances—the U.S. deficit and Japanese surplus—are mainly macroeconomic phenomena, the result of imbalances between domestic investment and national saving.)

For the United States to attempt to preserve the existing structure of jobs would be a grave mistake. The first goal of America's economic policy, foreign and domestic, should be to enhance the standard of living of Americans, interpreted to encompass the physical and social environment in which we live. In pursuit of that goal, we should persevere in the great postwar effort to make trade increasingly free.

FRANCIS M. BATOR
RICHARD N. COOPER
Harvard University

Author Eckes replies:

Professors Bator and Cooper bring different academic and government experiences to this discussion. As international economists and defenders

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of the Kennedy Round, they proudly assert that "liberal American trade policies . . . have produced great economic gain."

Like many who approach these issues from a theoretical perspective, Bator and Cooper minimize the disruptive results: plant closings, job dislocations, declining incomes for American workers and a shrinking industrial base. They find comfort in the abstract "general presumption" that total gains from trade "far exceed what would be needed to compensate those Americans who lose." At the International Trade Commission I encountered the uncompensated victims of trade concessions—U.S. workers and industries seemingly abandoned for the sake of cosmopolitical economic theories and Cold War imperatives. Lacking academic tenure and college educations, many such losers worry now that the North American Free Trade Area will transfer remaining low-skilled manufacturing jobs to Mexico.

About individual conclusions, responsible economists and historians can differ. About documentation we have no serious debate. My article rests on extensive primary research over the last decade in nine presidential collections, the National Archives and many other depositories here and abroad. *Foreign Affairs* wisely discourages lengthy articles, long quotations and extensive footnotes. Every author must select and simplify, as Professors Bator and Cooper do. From our exchange it seems obvious that international trade policy is too important for a single academic discipline to monopolize. Let the debate among scholars and practitioners continue.

EXPANDING NATO

To the Editor:

Charles Gati's survey of the problems facing east-central Europe, "From Sarajevo to Sarajevo" (*Foreign Affairs*, Fall 1992), mentioned NATO only in passing. The author recommended that the United States should encourage NATO to admit Hungary, Czechoslovakia, Poland and possibly Slovenia as full members "as soon as possible, but certainly before the end of this decade." I suggest that this laudable aim is too limited in scope and too leisurely in execution.

Why not a radical and immediate expansion of NATO, to embrace all the east-central European nations? NATO membership would squash any Serbian temptation to export its conflict with its partners in the former Yugoslavia. NATO's guarantee of an armed response to aggression would surely stop the Serbian leader Milošević: after all, it stopped Stalin, a considerably tougher customer.

Second, it would bring the former Warsaw Pact nations out of their present security vacuum and into one of the most stable security frameworks in history. Mere membership in NATO would give them a stake and a role in the stability of their neighbors and a shared responsibility that is now lacking.

Third, it would create a NATO opposed to any change in Europe's borders through force. Such changes, however justified on ethnic grounds, would be uncontrollable in practice unless countered by superior force.

Finally and most important, NATO has proven itself a deterrent not only to outside attack but to war between its members. Can anyone doubt

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that Greece and Turkey would have gone to war in the period after 1945 had it not been for their allies' restraining influence?

The east Europeans desperately crave membership. It would be appropriate to offer this kinship, expressed through NATO and the EC, as an eventual reward for good behavior. But the need for stability is urgent, as it was in 1949. Kinship must be offered now, with the threat of excommunication to enforce this good behavior. The NATO Council, like the U.N. General Assembly, is a forum where conflicts can be talked out. Unlike the General Assembly, NATO ambassadors in Brussels can back their arguments with force.

Purists will argue that no east-central European nation has achieved the kind of stable democracy required for membership in Western blocs and that Romania, at least, possibly never will. The answer is that the North Atlantic Treaty praises democracy but does not make it a condition for membership. Strategic Portugal was a dictatorship when it became one of NATO's founding members; Turkey, one of the staunchest allies of all, was certainly no democracy when it joined in 1952. Judging by the west European experience, NATO membership stabilizes democracy in its democratic members and encourages it in its nondemocratic ones.

East Europeans begged for NATO membership in 1990–91 and were turned down on grounds that this would be a provocative affront to the Soviet Union. Since December 1991, this excuse no longer exists. The justifications du jour are that the east Europeans are not ready for membership, or that NATO has restructuring problems of its own, or that the West European Union can handle any military chores outside NATO's area. The WEU is no more than the germ of a good idea, and the other excuses will look pretty flimsy when the history of the 1990s is written.

NATO is a success story in search of a sequel. Lawrence Eagleburger, then deputy secretary of state, said last June that NATO's "stake in the fate of friendly democracies [in eastern Europe] is simply enormous," and he agreed that the east Europeans "want us to make this stake . . . visible in concrete ways." But Eagleburger, like other officials of NATO member states, stopped well short of suggesting membership for the ex-Warsaw Pact nations. Why? What better role for NATO now than to do what it has always done, which is to deter aggression, encourage democracy and promote the stability that, in tandem with the EC, builds prosperity? The West talks about NATO membership for the east-central Europeans eventually. Why not now?

RICHARD C. LONGWORTH
The Chicago Tribune

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RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Andrew J. Pierre

SELF-DETERMINATION IN THE NEW WORLD ORDER. By Morton H. Halperin and David J. Scheffer with Patricia Small. Washington: Carnegie Endowment for International Peace, 1992, 178 pp. $21.95 (paper, $8.95).

This cutting-edge book deals with one of the most immediately vexing conundrums to emerge from the end of the Cold War: How to cope with the breakup of states and claims for self-determination, as in Yugoslavia, the former Soviet Union and potentially Iraq? The authors argue convincingly that the old norms and practice of international law, based on the shedding of colonialism, are totally inadequate. They suggest a more expansive concept of international law that would include protecting minority rights, promoting democracy and linking diplomatic recognition for successor states with their commitment to standards of international behavior. An example of the latter is guarantees to prevent the proliferation of nuclear weapons, as in the case of the Russia, Ukraine and Kazakhstan.

No dry treatise of law, the book suggests a number of ways American policy and the international community could implement a new approach to self-determination. Washington should be ready to undertake an early involvement in disputes, long before refugees stream across borders. It should seek to work multilaterally, using the United Nations or other collective groups to undertake roles such as monitoring situations, intervening diplomatically or militarily and conditioning foreign assistance or imposing economic sanctions. Specific suggestions for the United Nations include transforming the now moribund Trusteeship Council into a clearinghouse for assessing self-determination movements. Clear, insightful analysis underpins the new ideas in this volume, some of which are already entering international discussions but are nowhere brought together so well. The appendix providing a global survey of over 100 self-determination movements is a valuable contribution in itself.

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POLITICAL QUESTIONS/JUDICIAL ANSWERS: DOES THE RULE OF LAW APPLY TO FOREIGN AFFAIRS? By Thomas M. Franck. Princeton (NJ): Princeton University Press, 1992, 191 pp. $24.95.

Should the rule of law stop at the water's edge, asks the author, a distinguished professor of law at New York University who is also highly knowledgeable in foreign affairs. Observing that American courts often refuse to take on cases that have a foreign policy aspect to them, on the basis that these are executive branch or "political" matters, he has written a masterful treatise challenging that practice. Such reticence, amounting at times to abdication, is seen as undesirable evasion and a misreading of constitutional theory. The notion of special dispensation for issues relating to the practice of foreign affairs has its origins in *Marbury v. Madison* (1803), but it has spread too widely, says Franck. This lucid, superbly argued book makes its case very convincingly.

MORALITY AND AMERICAN FOREIGN POLICY. By Robert W. McElroy. Princeton (NJ): Princeton University Press, 1992, 194 pp. $24.95.

Sarajevo. Today. Whatever the political-military calculations regarding the complexities of armed intervention, many feel there is a moral obligation to stop the bloodshed. In a world of realpolitik do moral norms play a role? They can and should, claims the author, who earned one doctorate in political science from Stanford and another in ethics from the Gregorian University in Rome. In three case studies—the U.S. decision to send famine relief to the Soviet Union in 1921, Nixon's 1969 decision to destroy stockpiles of biological weapons and to press for a chemical arms agreement, and Carter's decision to return control of the Panama Canal—moral considerations are said to have played the key role. But not so in a fourth case—the bombing of Dresden in 1945, which underscored the limits of moral norms. In this intelligent and sensitive work McElroy posits a number of explanations for the differences, ranging from the role of individual leadership (as with Herbert Hoover in 1921) to the degree a state's security is threatened.

THE IDEA OF CIVIL SOCIETY. By Adam B. Seligman. New York: The Free Press, 1992, 220 pp. $24.95.

Within the political and social turbulence of eastern Europe, intellectual elites have propounded the concept of a "civil society" to replace communism as the key link between the individual and the state. First articulated in the debates on Christian natural law three centuries ago, it has appeal today in Israel and, according to the author, among his contemporaries in Budapest and Los Angeles, where he has resided. This provides a basis for his discourse on Western political thought and the nature of "post-modern" society in industrialized nations. The discussion is erudite, humane and replete with intriguing insights. Surprisingly, Seligman concludes that "civil society" as an idea is an inadequate model for structuring a new social order.

THE FUTURE OF LIBERAL REVOLUTION. By Bruce Ackerman. New Haven (CT): Yale University Press, 1992, 153 pp. $18.50.

Ackerman, a professor of law at Yale, has been intellectually seized by the impact of the end of the Cold War on eastern Europe. 1989 should serve as the beginning of an era, he says, in which "liberals again walk the

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world with a sense of revolutionary opportunity." Yet the author fears that as America recedes from western Europe, Europeans will revert to mindless nationalism. It is the nationalist right in western Europe that is mobilizing popular support. And in eastern Europe, in the rush to build market economies, the former communist legal system has been amended but not fully overturned. Ackerman pleads for far greater attention to constitutional construction that will guarantee civil liberties. There is much to this argument, yet one senses its peculiarly American tone, without adequate acknowledgement of Europe's differing political and legal traditions.

General: Military, Scientific and Technological

Andrew J. Pierre

ARMS CONTROL AND CONFIDENCE BUILDING IN THE MIDDLE EAST. Edited by Alan Platt. Washington: United States Institute of Peace Press, 1992, 160 pp. $13.95.

The beginning of multilateral arms control talks in the Middle East, although little noticed, is one of the more hopeful developments since the Persian Gulf War. This volume should serve as an excellent primer for the negotiators. Each chapter is co-authored by an expert on some aspect of past East-West arms control negotiations, particularly European, and another with expertise on the Middle East. Subjects covered include aerial inspection and the proliferation of ballistic missiles and chemical weapons. Middle East political leaders and diplomats have paid scant attention to arms control, and the authors are correct in making only modest proposals, chiefly involving confidence- and security-building measures as first steps. Of course the arms control process cannot run ahead of the peace process in this terrain of deep animosities and rivalries. While recognizing this limitation, the book does a superb job of commencing a serious analytical discussion of arms control possibilities for this conflicted region. Congratulations are due to its sponsors, the United States Institute of Peace and the Henry L. Stimson Center.

RESTRUCTURING OF ARMS PRODUCTION IN WESTERN EUROPE. Edited by Michael Brzoska and Peter Lock. New York: Oxford/Stockholm: SIPRI, 1992, 240 pp. $51.00.

With the end of the Cold War defense industries in the industrialized world are facing a crisis. Past levels of defense expenditures and military production are falling; more severe curtailment is certain in the years ahead. These cuts will hit European defense industries even harder than American companies. This volume is highly useful and most welcome, providing a great deal of detailed information on the defense industries of the individual European nations. Some companies have moved toward diversification; there has been some privatization and many attempts at European-wide collaboration. But between the lines one senses that serious attention to defense conversion is only beginning. The high quality of this volume reflects the forward steps that SIPRI is making in its long-established work on arms production and control.

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EUROPE IN TRANSITION: THE MANAGEMENT OF SECURITY AFTER THE COLD WAR. Edited by Robert J. Jackson. New York: Praeger, 1992, 224 pp. $47.95.
THE FUTURE OF EUROPEAN SECURITY. Edited by Beverly Crawford. University of California at Berkeley: Center for German and European Studies, 1992, 410 pp. $23.50 (paper).
SOUTHERN EUROPEAN SECURITY IN THE 1990s. Edited by Roberto Aliboni. New York: St. Martin's Press, 1992, 147 pp. $59.00.

Here we have three books with a total of 38 authors covering a spectrum of issues. Yet events are moving so rapidly that some of the key issues of the present in Europe—the destabilizing impact of mass migrations, Germany's difficulties integrating its eastern part, the breakup of Yugoslavia—are either not touched upon or only lightly addressed. That said, each of these books has considerable merit. The Jackson book, the outgrowth of a Committee on Atlantic Studies conference at the European University in Florence, contains interesting ideas on the future political and security structure of Europe and its relations with the United States. The Crawford work has more emphasis on the domestic sources of change, particularly the all important economic and social factors. And the Aliboni volume, put together by the Italian Institute for International Relations in collaboration with similar groups in Athens, Madrid and Lisbon, provides an important perspective on an often neglected subject: the consequences of the changes in central Europe and the former Soviet Union on the nations of southern Europe and the eastern Mediterranean.

CANDIDATES FOR INTEGRATION: THE NEUTRAL AND CENTRAL EUROPEAN COUNTRIES FACING THE EUROPEAN COMMUNITY. Edited by Curt Gasteyger. Geneva: Graduate Institute of International Studies, 1992, 109 pp.

While central Europe's interest in joining the European Community and even NATO is well understood in the United States, far less is known about the changing attitudes of the neutrals: Austria, Finland, Sweden and Switzerland. Therein lies the greatest value of this short but informative book. An excellent chapter by Bo Huldt, until recently Director of the Swedish Institute of International Affairs, makes clear that his country has fully turned away from "neutrality" as it seeks its European identity. The Swiss editor, Curt Gasteyger, suggests a similar though less definitive trend in his country. Contributions by Polish and Hungarian authors underline the fact that their nations have yet to find institutional homes. Ironically the public reaction in Europe to the Maastricht treaty may prove of assistance to those who give greater priority to "widening" the European Community to other countries rather than "deepening" it through economic and political integration.

BLACK EARTH, RED STAR: A HISTORY OF SOVIET SECURITY POLICY, 1917–1991. By R. Craig Nation. Ithaca (NY): Cornell University Press, 1992, 341 pp. $29.95.

A work of historical synthesis, this volume covers in a remarkably comprehensive manner the foreign and defense policy of the Soviet Union from Lenin's 1917 revolution to the demise of communism and the ascendancy of Boris Yeltsin. Nation has properly defined security policy in

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a broad way so as to include its domestic roots. He has culled a vast quantity of literature, including Russian writings, covering the entire epoch. The analysis is sound. Others may bring their novel interpretations, but this work's value lies in its smooth-flowing detailed summary of security policy during the Soviet experiment.

THE FOURTH WORLD WAR: DIPLOMACY AND ESPIONAGE IN THE AGE OF TERRORISM. By Count de Marenches and David Andelman. New York: Morrow, 1992, 267 pp. $22.00.

The principal author was for 11 years, covering the 1970s, the head of the French intelligence system. He tells his many cloak and dagger stories with verve and color, describing numerous meetings with American counterparts, not all of whom he admired. Certainly he cared more for one of these, William Casey (with whom he could exchange swashbuckling stories), than for the agency Casey led. Indeed the CIA is depicted as a massive intelligence sieve. Marenches goes off track, however, when he looks to the future. He sees the opening skirmishes of a new world war—between South and North—the new enemies being terrorists, drug dealers and dictators. "Mutual Assured Destruction" must now be replaced by a doctrine of "Certain Destruction" of terrorist groups; a "Decent People's Club" of nations that believe in individual liberty must be created. These extreme views inadvertently cast some doubt on his judgment while running French intelligence.

General: Economic and Social

William Diebold, Jr.

REFORMING FARM POLICY: TOWARD A NATIONAL AGENDA. By Willard W. Cochrane and C. Ford Runge. Ames: Iowa State University Press, 1992, 279 pp.

In this striking book two very good agricultural economists condemn the main lines of thought that American farm policy has followed for half a century and make detailed proposals for changes that focus on rural incomes rather than the prices of major commodities. "The overall thrust of our proposed policy reforms is quite simple," write the authors. "We propose to take away permanent subsidies from the already rich commercial farm sector and replace them with income stabilization payments made in times of deteriorating market conditions." They would reallocate the savings to programs that benefit the environment and improve the quality of rural life. This excellent study is also concerned with many neglected issues: the variegated needs of the many part-time farmers, the health and safety of farm workers, the maintenance of competition in the food processing industry, the survival of country towns and the size of the Department of Agriculture. International competitiveness and the reduction of import barriers play an important part in the program which Cochrane and Runge believe can be made politically feasible, if Americans look at the realities of agriculture instead of out-of-date images.

LOSING TIME: THE INDUSTRIAL POLICY DEBATE. By Otis L. Graham, Jr. Cambridge (MA): Harvard University Press, 1992, 370 pp. $29.95.

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This is a clear, lively, critical and fairly comprehensive account of the American debate about industrial policy in the 1980s. Much space is given to the economic conditions of that decade, the literature of American decline and summaries of the views of those who were for or against one kind of industrial policy or another. There are gaps, some soft spots in the analysis and some weaknesses of exposition, but an author cannot be expected to have a deep knowledge of all the subjects that come into this complex field. As a historian Graham has a sharp eye (and tongue) for the misuses, distortion, superficiality and neglect of historical evidence in the debate, and he provides a good chapter on what can and cannot be learned from history. He ends this enlightening book with some sensible proposals on how to improve America's future handling of this inescapable policy necessity.

SCANNING THE FUTURE: A LONG-TERM SCENARIO STUDY OF THE WORLD ECONOMY, 1990–2015. By the Central Planning Bureau of the Netherlands. The Hague: Sdu Publishers Plantijnstraat, 1992, 248 pp.

The long-established and respected Central Planning Bureau of The Netherlands presents its most ambitious study of the future of the world economy. Not surprisingly skill and caution keep the authors from committing themselves to a single forecast, but there are many interesting hypotheses and suggestions about the shaping of national policies. There are some "pervasive developments" that, while hardly novel, are noteworthy because they turn up in almost all scenarios. Among them are "the further rise of East Asia, the long period of time needed to reconstruct east European economies, the spread of environmental problems and the risk of the emergence of antagonistic trading blocs."

THE POLITICS OF ECONOMIC ADJUSTMENT. Edited by Stephan Haggard and Robert R. Kaufman. Princeton (NJ): Princeton University Press, 1992, 356 pp. $49.50 (paper, $16.95).

In this latest product of a lengthy study a team of American academics provides a thoughtful analysis of the interaction of political and economic features in countries that are changing major parts of their economic systems or making other large adjustments. They take account of the flow of ideas as well as the pressures of creditor and economic conditions. The authors' awareness of the comparative experience of different countries guards them against oversimplification and permits them to upset many of the easy generalizations of conventional wisdom. For example: liberalizing an economy may require strengthening a bureaucracy; the advancement of democracy may not go hand in hand with the introduction of a market system.

CANADIAN FOREIGN POLICY AND INTERNATIONAL ECONOMIC REGIMES. Edited by A. Claire Cutler and Mark W. Zacher. Vancouver: University of British Columbia Press, 1992, 447 pp. $59.95 (paper, $29.95).

Although Canada has long supported efforts to strengthen international cooperation on economic problems, it is also true, as the studies in this valuable volume show, that the usual view of "the Canadian commitment to multilateralism and liberalization is an exaggerated and, in some cases, an

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inaccurate portrayal." It also shows many other things as the contributors, who mostly have deep specialized knowledge, describe and analyze Canadian participation in a variety of public and private international arrangements. About half the book deals with trade and investment but there are substantial chapters on aviation, shipping, telecommunications, fisheries, environment and monetary matters. Although not uniform in quality, the pieces add up to a very good review of Canadian foreign economic policy over a period of years and make a first-rate book.

COERCIVE COOPERATION: EXPLAINING MULTILATERAL ECONOMIC SANCTIONS. By Lisa L. Martin. Princeton (NJ): Princeton University Press, 1992, 299 pp. $39.50.

This is not just another study of the effectiveness (or lack of effect) of sanctions. Instead it asks what conditions make it likely that countries will agree to join in imposing sanctions. Game theory, statistical analysis, regression analysis and other techniques are all laboriously mobilized to generate hypotheses that are then tested in four thorough case studies. It is these that will interest most readers. Where the author naturally sees evidence supporting her interpretations, others may lean toward giving more emphasis to circumstantial and contingent factors rather than the general explanations that apply to all cases.

OVEREXPOSED: U.S. BANKS CONFRONT THE THIRD WORLD DEBT CRISIS. By Raul L. Madrid. Boulder (CO): Westview Press, 1992, 260 pp. $46.50.

This useful, clearly written book's main contributions to a now familiar story are these: a steady focus on the changes in bank aims; a critical discussion of country risk analysis; an account of how banks adjusted to the debt crisis; and a good bit of detail about the experience of the seven biggest American banks.

RESTRUCTURING ECONOMIES IN DISTRESS: POLICY REFORM AND THE WORLD BANK. Edited by Vinod Thomas and others. New York: Oxford, 1991, 566 pp. $64.95.
BEST PRACTICES IN TRADE POLICY REFORM. Edited by Vinod Thomas, John Nash and others. New York: Oxford, 1991, 226 pp. $24.95.

Relying heavily on analysis by its own staff, with some outside commentary, these World Bank reviews contain a great deal of interesting material. There is more satisfaction with the changes that have come about in trade policy than in the handling of the broader range of problems connected with adjustment lending, a term that does not always mean the same thing to everyone. Ernest Stern, who has been involved in the process since it started under Robert McNamara, draws up an interesting list of lessons and makes the rather surprising confession that the people at the bank "underestimated the political difficulty of protracted adjustment."

THE EMERGENCE OF MARKET ECONOMIES IN EASTERN EUROPE. Edited by Christopher Clague and Gordon C. Rausser. Cambridge: Blackwell, 1992, 352 pp. $59.95 (paper, $19.95).
COMRADES GO PRIVATE: STRATEGIES FOR EASTERN EUROPEAN PRIVATIZATION. Edited by Michael P. Claudon and Tamar L. Gutner. New York: New York University Press, 1992, 288 pp. $40.00.

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In their focus on concrete issues that often involve basic principles, both books advance our understanding of the difficulties of reorienting state-controlled economies. They show, for example, that satisfactory markets cannot be created simply by ending government interference; nor can they be expected to work well without a proper political and legal framework and a continuing range of measures that foster competition. The authors are divided on what priority to give to privatization and whether to try to bring it about at one blow or gradually. The Claudon and Gutner volume gives a good bit of attention to recent experience in eastern Europe while the other puts more emphasis on general principles. Both do a good job of demonstrating what choices reformers have to make and the tradeoffs they face.

NARROWING THE U.S. CURRENT ACCOUNT DEFICIT. By Allen J. Lenz. Washington: Institute for International Economics, 1992, 607 pp. $40.00 (paper, $25.00).

The gloomy finding of this many-sided analysis by a former Department of Commerce official is that only increased exports of manufactures can bring about a rectification of the current account balance of the United States and that this will not happen even with benign government policies. The evidence lies in heroically tedious statistical analysis of 21 groups of manufactures plus in the solicited opinions of people working in each field. Any number of interesting and useful facts emerge from this massive study.

AMERICAN TRADE POLITICS. 2nd ed. By I.M. Destler. Washington (DC): Institute for International Economics/New York: Twentieth Century Fund, 1992, 453 pp. $35.00 (paper, $20.00).

The revisions of this fine work that has already become a standard are extensive. They run throughout the volume, which is for the most part brought up to the early 1990s.

The United States

Gregory F. Treverton

TRUMAN. By David McCullough. New York: Simon and Schuster, 1992, 1117 pp. $30.00.

That we now find this marvelous, affectionate portrait of Harry Truman almost too sweet tells us as much about ourselves and our politics as about Mr. Truman. Not that he disliked power or its trappings or was above nasty campaigning, but he was "unexpectedly wise when it counted" while remaining "a certifiable member of the human race," in the words of Mary McGrory's tribute. It is also tempting to remember his time rosily, as one when the enemy was obvious, the future open and when anyone could walk safely around Washington—and a president did! Much of Truman's life is familiar, but the book offers fresh insights—into the details of the decision to recognize Israel, for instance, or the depth of his friendship with Dean Acheson—all told with care and in easy prose by an award-winning historian.

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THE ONCE AND FUTURE SUPERPOWER: HOW TO RESTORE AMERICA'S ECONOMIC, ENERGY AND ENVIRONMENTAL SECURITY. By Joseph J. Romm. New York: William Morrow, 1992, 320 pp. $23.00.

Environmental protection and economic growth are at odds; America has no industrial policy now and does not need one; higher taxes are a necessity: Romm, a young physicist turned policy analyst now at the Rocky Mountain Institute, aims to utterly puncture these and other "myths." His blueprint, refreshingly free of dogma or received wisdom, is required reading for those who would think through afresh America's task beyond the Cold War. If his causal arrows seem to march only in one direction, thus raising suspicions that what seems too good to be true probably is, he challenges the reader to think why.

GEORGE BUSH VS. SADDAM HUSSEIN: MILITARY SUCCESS! POLITICAL FAILURE? By Roger Hilsman. Novato (CA): Lyford Books, 1992, 264 pp. $21.95.

MARCHING IN PLACE: THE STATUS QUO PRESIDENCY OF GEORGE BUSH. By Michael Duffy and Dan Goodgame. New York: Simon and Schuster, 1992, 316 pp. $23.00.

These books share a theme: George Bush is a man who passionately wants to be president but has little idea precisely why. Duffy and Goodgame, two *Time* White House correspondents, are harder on Bush over foreign policy than most Americans (including this one) would be; on the other hand, they scarcely draw judgments about the appointment of Clarence Thomas. Their portrait of Bush is vivid if familiar: the most patrician president since Franklin Roosevelt, with manners to match, surrounded by upper-class white men throughout his life, who is capable of almost anything in pursuit of the presidency but whose ambition once there seems limited "to not make things worse." Hilsman's title is trendy but no mere hype, for the central question of his history and assessment of the war, its roots and aftermath is why the United States did not choose alternatives short of war instead of an American war. The answer, from a long-time president-watcher and Kennedy State Department hand, comes down to the "president as sovereign," angry because a fellow sovereign, Saddam Hussein, deceived him.

THE DEVIL AND UNCLE SAM: A USER'S GUIDE TO THE FRIENDLY TYRANT'S DILEMMA. Edited by Adam Garfinkle. New Brunswick (NJ): Transaction Publishers, 1992, 143 pp. $24.95.

Based on earlier work by the editor and Daniel Pipes, a student of the Middle East, this book is part whimsy but part serious, dedicated to the proposition that the problems of dealing with "our SOBs" around the world will attenuate but not end with the Cold War. Their reviewers are distinguished practitioners and, if their maxims—beware dependence, be nimble—are commonsensical, their application of them is often thoughtful. They distinguish, for instance, the possible psychological effects of sanctions, which can work, from their economic effects, which seldom do. They omit my favorite maxim: never assume your SOB understands his politics any better than you do.

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THE U.S.A. UP CLOSE: FROM THE ATLANTIC PACT TO BUSH. By Giulio Andreotti. New York: New York University Press, 1992, 252 pp.

Seeing ourselves through others' eyes is often instructive, and since Italian leaders seem also to have been Lincoln's colleagues, their view is longer if not deeper than most. Andreotti, a fixture of postwar Italian government, brings a keen mind and the perspective of a political system in which charisma is suspect and so is the presumption that problems can be solved, and in which bargaining quietly is more the norm than bragging publicly. Sometimes his diplomatic politesse and Italian locution rendered into English are charming—witness his commentary on the Carter Administration's mostly self-generated Italian "crises": "The only disturbing note was the petulant habit of having the [U.S.] ambassador in Rome, without any real enthusiasm on his part I believe, issue imprudent and entirely unnecessary bulletins opposing the entry of the communists into the government coalition."

THE COLD WAR IS OVER—AGAIN. By Allen Lynch. Boulder (CO): Westview Press, 1992, 208 pp. $39.95 (paper, $15.95).

This book's thesis is provocative if not entirely novel: that the Cold War effectively ended several decades ago when the issues that spawned it—Germany, the balance of power, deterrence of war and ideology in the Third World—were either "resolved or removed to the periphery of international political life." His thesis raises the haunting questions of why the war settled into confrontation and whether Western leaders could have done anything to unsettle it sooner (perhaps despite their inclinations). Instead of a reply Lynch turns to interesting essays, now rendered history, on the Gorbachev transformations.

DEAN ACHESON: THE COLD WAR YEARS 1953–71. By Douglas Brinkley. New Haven (CT): Yale University Press, 1992, 512 pp. $35.00.

This biography by a young historian fills the gap of Acheson's years out of office. Its organization is slightly disconcerting, but its portrait makes the Acheson-Truman friendship all the more remarkable, for Acheson seems less a twentieth-century American democrat than a nineteenth-century British one—a defender of presidential prerogatives in Democratic or Republican season and an unabashed colonialist when it came to Africa.

PEOPLE, POLLS AND POLICYMAKERS. By Ronald H. Hinckley. New York: Lexington Books, 1992, 157 pp. $22.95.

This slim volume is a deft handbook about public opinion on America's world role, one that marshals a wealth of data and develops several careful case studies. Its basic conclusions are fresh and thought-provoking: American opinion has long been fractured, so periods of apparent consensus reflect agreement on means more than ends; but those opinions are responsible and wary, not accepting or naive; and polls themselves affect policy-making, all the more given the biases of polls and the stakes of policymakers who use them. The book's guidance is as arresting as its conclusions: when the public is ignorant, as over Central America, it needs educating. But "if the public learns the lesson but still does not care, then perhaps policymakers need to reexamine the sense of importance they place on the policy they are advocating."

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THE MISSILES OF OCTOBER: THE DECLASSIFIED STORY OF JOHN F. KENNEDY AND THE CUBAN MISSILE CRISIS. By Robert Smith Thompson. New York: Simon & Schuster, 1992, 395 pp. $25.00.

In this season for debunking John Kennedy, Smith serves a steamy stew of political ambition (the Kennedy family's), defense scandal (the TFX fighter) and miscalculation and overreaction (both John and Robert Kennedy's). He draws on newly declassified material from the National Security Archive, but there is less new here than advertised: there is no evidence Kennedy knew of the offensive missiles before the fateful October U-2 flight, though others (and perhaps he) had grounds for suspicion; and that Kennedy sweetened the outcome for Khrushchev by agreeing to remove U.S. Jupiter missiles from Turkey—missiles he had wanted out in any event—has become clear in recent years. Smith argues a scatter-shot of conclusions: for instance, both that the crisis was much less than a grand victory ("the Kennedys found themselves, in the end, faced down by that stubby little peasant") and that the result fed the administration's hubris that conduced to tragedy in Vietnam.

GENERAL WALTER BEDELL SMITH AS DIRECTOR OF CENTRAL INTELLIGENCE: OCTOBER 1950-FEBRUARY 1953. By Ludwell Lee Montague. University Park (PA): Pennsylvania State University Press, 1992, 308 pp. $45.00 (paper, $14.95).

In this second volume of the Central Intelligence Agency's valuable historical series, Montague gives an insider's terse view of the organizational growing pains in a peacetime intelligence service. He regards "Beetle" Smith as the real founder of the CIA, inheriting a faltering and diffident bureaucratic morass and pounding it into shape for combat in the looming Cold War. Montague, himself an intelligence officer, offers a perspective quite different from that of Arthur Darling, academic author of the first of the formerly classified studies (reviewed in *Foreign Affairs*, Spring 1991). Taken in tandem, the two histories reveal the agonizing controversies that arose in the drive to make the new intelligence agency effective. Thanks to Penn State Press, scholars of intelligence now have conveniently available essential and fresh primary sources on an ill-understood set of problems. Yet to be released is the next volume on the climactic years of Allen Dulles. Peter Grose

The Western Hemisphere

Abraham F. Lowenthal

WHIRLPOOL: U.S. FOREIGN POLICY TOWARD LATIN AMERICA AND THE CARIBBEAN. By Robert A. Pastor. Princeton (NJ): Princeton University Press, 1992, 338 pp. $24.95.

Drawing on his experience as NSC staff director on Latin America during the Carter administration, ten years of subsequent research and writing, and his continuing collaboration with President Carter at Emory University, Robert Pastor has written an impressive volume. He seeks to explain why the United States is recurrently drawn into intensive engagement and intervention in the Caribbean Basin "whirlpool" and to show how Washington could escape this syndrome in the post-Cold War era. Com-

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bining personal experience and anecdotal evidence with scholarly analysis and policy prescription, Pastor makes a significant contribution to rethinking U.S. relations with our closest neighbors.

THE POLITICS OF TRADE IN LATIN AMERICAN DEVELOPMENT. By Steven E. Sanderson. Stanford (CA): Stanford University Press, 1992, 292 pp. $45.00 (paper, $16.95).

This thoughtful, challenging and ambitious book draws on the literature on development, international trade, regional economic history, resource management and national politics to examine how and why Latin American governments have been changing their policies on trade, and what the likely consequences will be of this historic shift. Deeper integration into the world trading system may not resolve Latin America's problems, Sanderson warns, because the prevalent model of integration is associated with worsening distribution of wealth, continuing external payments problems and accelerating resource depletion. The traditional Latin American strategies of economic nationalism, led by the state, are now useless, but alternative trade and development strategies that produce environmentally and developmentally sound economic change cannot be realized while the public sector is in retreat.

CASTRO'S FINAL HOUR: THE SECRET STORY BEHIND THE COMING DOWNFALL OF COMMUNIST CUBA. By Andres Oppenheimer. New York: Simon & Schuster, 1992, 461 pp. $25.00.

Based largely on more than five months of interviews with over 500 people in Cuba, this lively book by a Pulitzer Prize-winning journalist from *The Miami Herald* combines investigative reporting, anecdotes, impressions and outright speculation to illuminate the impact on Fidel Castro's Cuba of the collapse of its erstwhile Soviet ally and of the cumulative deterioration caused by more than thirty years of personal authoritarian rule. Oppenheimer argues persuasively that considerable support has developed at high levels of the Cuban regime for democratization and market-oriented reforms, but that Castro quashed these currents at the Fourth Party Congress in October 1991. As a result, Oppenheimer suggests, Castro has likely set the stage for an eventual radical reaction against all he has done and stood for.

CUBA AFTER COMMUNISM. By Eliana Cardoso and Ann Helwege. Cambridge (MA): MIT Press, 1992, 148 pp. $17.95.

Without support from the former Soviet Union, Cuba faces massive economic difficulties, compounded by its centralized control and antimarket orientation. This brief and accessibly written primer lays out a proposed series of reforms to help Cuba make the necessary transition to capitalism without abandoning the education and health care advances Castro's regime has achieved. The authors urge Cuba to adopt their program before further economic collapse causes lasting damage, and they call for a new U.S. policy to encourage Cuban reforms—including an end to the U.S. trade embargo, World Bank and IMF membership for Cuba and a major aid program for Cuba's reconstruction. Although the discussion of Cuba is somewhat superficial, and it notably fails to factor in political realities in either Cuba or the United States, this succinct volume does advance ideas that should be debated and considered.

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TOWARDS A NEW DEVELOPMENT STRATEGY FOR LATIN AMERICA: PATHWAYS FROM HIRSCHMAN'S THOUGHT. Edited by Simón Teitel. Washington: Inter-American Development Bank, 1992 (distributed by Johns Hopkins University Press), 403 pp. $24.00 (paper).

Albert O. Hirschman, for four decades this country's most perceptive commentator on Latin America, published his landmark study, *The Strategy of Economic Development*, in 1958. Thirty years later a group of scholars, mainly Latin Americans, began a project culminating with this interesting symposium volume to apply Hirschman's main concepts both to analyze the region's economic history over the past generation and to strategize about how to restart sustained economic growth. A repeated theme, emphasized particularly by the editor, is that Latin America needs concentrated government efforts to eliminate constraints and obstacles to growth and development, and that cries of privatization and a limited role for the state should not be allowed to obscure this priority.

ISSUES IN DEMOCRATIC CONSOLIDATION. Edited by Scott Mainwaring, Guillermo O'Donnell and J. Samuel Valenzuela. Notre Dame (IN): University of Notre Dame Press, 384 pp. $42.95 (paper, $19.95).

Seven leading scholars, all associated with Notre Dame's Kellogg Institute for International Studies, have contributed to this path-breaking symposium volume on the second stage of South America's contemporary transitions toward democratic governance. They emphasize the enormous difficulties of consolidating democratic practice, arising from vast social inequalities, the lingering strength of antidemocratic groups and forces, continuities of political actors and prevalent styles from the authoritarian period, weak political institutions and recalcitrant military leaders. But the book's fundamental animus is that democratic governance can be achieved and that independent scholarly critiques can contribute to its nurturing.

U.S.-MEXICO RELATIONS: LABOR MARKET INTERDEPENDENCE. Edited by Jorge A. Bustamante, Clark W. Reynolds and Raúl A. Hinojosa Ojeda. Stanford (CA): Stanford University Press, 1992, 495 pp. $52.50.

Even before the North American Free Trade Agreement, Mexico and the United States had become ever more closely intertwined. At least ten percent of the growth of U.S. labor supply in recent years has been composed of Mexican immigrants, and native Mexicans working in the United States represent fully a fifth of the Mexican-born work force. This comprehensive and well-focused symposium volume analyzes the causes, nature and consequences of labor market interdependence between Mexico and the United States, and explores its relation to migration. A brief concluding essay by Clark Reynolds assesses the difficult problem of achieving upward convergence of wage rates in recessionary times and emphasizes that investment in education and improved productivity will be crucial if intensified North American integration is to have positive effects on both sides of the porous border.

WESTERN HEMISPHERE IMMIGRATION AND UNITED STATES FOREIGN POLICY. Edited by Christopher Mitchell. University Park (PA): Pennsylvania State University Press, 314 pp.

Since 1960 more than three million U.S. visas have been issued to immigrants from the Caribbean, Central America and Mexico and perhaps

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as many persons have entered the United States illegally. In this pioneering symposium volume, five analysts discuss how U.S. policies affecting western hemisphere immigration have been shaped by broader foreign policy considerations, usually related to bilateral U.S. relations with specific sending countries, and how inter-American relations have in turn been affected by the migration issue. In his concluding essay editor Mitchell discusses practical and ethical implications arising from the interaction between immigration issues and broader foreign policy priorities.

REALISMO PERFERICO: FUNDAMENTOS PARA LA NUEVA POLITICA EXTERIOR ARGENTINA. By Carlos Escudé. Buenos Aires: Planeta, 1992, 292 pp.

After years of iconoclastic insistence that Argentina's independent (and often anti-U.S.) foreign policy was delusionary and self-destructive, the author is now serving as an adviser to an Argentine foreign minister who largely accepts the basic thesis that the only realistic policy for a peripheral country like Argentina is "one that helps to attract investments and positive relations with banks and international financial organizations," and that Argentina should therefore seek alignment with the United States. Written with verve, passion and self-confidence, this volume may well overstate its argument, but it articulates an important and influential current, relevant beyond Argentina. A significant work.

EL CARIBE HACIA EL 2000: DESAFIOS Y OPCIONES. Edited by Andrés Serbin and Anthony Bryan. Caracas: Nueva Sociedad, 1992, 354 pp.

Fourteen authors from throughout the Caribbean Basin have contributed essays to this useful volume, attempting to analyze how the small and varied countries of this nearby region will be affected by the sea-change in world politics.

Western Europe

Fritz Stern

WHEN THE WALL CAME DOWN: REACTIONS TO GERMAN UNIFICATION. Edited by Harold James and Marla Stone. New York: Routledge, 1992, 351 pp. $17.90.

A careful and successful selection of diverse and representative views of the march to German unity expressed by Germans and non-Germans in the tumultuous two years from 1989–91. A valuable reminder of past apprehensions, arguments and prophecies, aware that "even the optimists had some unease." As James writes in his introduction, "the hangover [after unification among Germans, east and west] was much more substantial, and lasted longer, than any euphoria about unity."

VOICES IN A REVOLUTION: THE COLLAPSE OF EAST GERMAN COMMUNISM. By Melvin J. Lasky. New Brunswick (NJ): Transaction, 1992, 123 pp. $29.95.

The former editor of *Encounter* and a well-known and knowledgeable anticommunist records his often brilliantly wrought impressions of how the old East German regime, its leaders having lost faith in their own power

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and abandoned by their Soviet supertutors, collapsed. Not surprisingly, his dissection deals primarily with east and west German intellectuals who in some ways cooperated with the old regime or who clung to the hope of a "third way"—all the while being members of "the priviligentsia." A sharp, even polemical reckoning by an American intellectual who has made Europe his cultural-political home.

FROM OSTPOLITIK TO REUNIFICATION: WEST GERMAN–SOVIET POLITICAL RELATIONS SINCE 1974. By Avril Pittman. New York: Cambridge University Press, 1992, 226 pp.

A useful if narrow study of West German policy toward the U.S.S.R. in the Schmidt and Kohl eras, based on extensive interviews in the Federal Republic and a close reading of the public record. Inter alia the author, an English academic, examines the special place of the ethnic Germans in the U.S.S.R. and German efforts to facilitate their right to emigrate. She also argues that Schmidt was less interested in German-German relations than in German-Soviet relations, less hopeful about West German–East German contacts than Willy Brandt had been.

HITLER'S DIPLOMAT: THE LIFE AND TIMES OF JOACHIM VON RIBBENTROP. By John Weitz. New York: Ticknor & Fields, 1992, 376 pp. $25.00.

A trivial, chatty biography of Hitler's instrument for foreign policy, drawn essentially from a scant number of published sources and marred by factual errors and an ahistorical perspective.

DEATH DEALER: THE MEMOIRS OF THE SS KOMMANDANT AT AUSCHWITZ. By Rudolph Höss. Edited by Steven Paskuly, translated by Andrew Pollinger. Buffalo (NY): Prometheus Books, 1992, 390 pp. $26.95.

This is the first complete English translation of the memoirs of the man who commanded the complex of camps at Auschwitz. It was a deposition written while Höss was in prison in Poland during 1946–47. In it he recounts in orderly fashion how Auschwitz and its gassing program were conceived, constructed, organized and run. He admits that some SS guards "mistreated" prisoners, a fact he deplores. He provides profiles of SS personnel, including some of the notorious doctors, one of whom, Dr. Wirths, he praises as "the best doctor in the concentration camps." This is the most authoritative and the deadliest account of Auschwitz we are ever likely to have. Höss was hanged in the spring of 1947 next to the only crematorium in Auschwitz not destroyed by the Nazis fleeing in 1945.

Lucy Despard

STELLA. By Peter Wyden. New York: Simon & Schuster, 1992, 382 pp. $23.00.

Collaboration with the enemy is never a pretty subject, but the example here—that of a Jewish girl who became a "catcher" (*Greifer*) for the Gestapo and sent hundreds of Jews hiding illegally in wartime Berlin to certain death in the concentration camps—defies humanity. Stella, a blonde beauty, was a schoolmate of author Peter Wyden; their families were part of the highly assimilated, materially successful, secularist Jewish bourgeoisie in Berlin. Wyden's family managed to get out of Germany in the mid-1930s. Jews unable or unwilling to emigrate suffered the fate of Stella's

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family—penury, ostracism and, ultimately, deportation. Wyden puts Stella's crimes in the context of Jewish "cooperation" in general: the Jewish Councils in the ghettos, the *kapos* and *Sonderkommandos* in the camps. Certainly there were highly disparate degrees of damage and culpability. He also goes into the question of Jewish survival, both in Nazi Germany and in the camps, and concludes that, although luck was crucial, personality also counted. Agile, audacious young men willing to take risks were the most likely to survive. Stella's strategy for survival was determined in part by circumstances, but also by her near-psychopathic personality that seemed to relish the role of predator. A fascinating and unsettling book, certain to trouble the sleep of many. Lucy Despard

THE SPECIAL RELATIONSHIP: A POLITICAL HISTORY OF ANGLO-AMERICAN RELATIONS SINCE 1945. By C. J. Bartlett. London and New York: Longman, 1992, 196 pp.

An early volume in a new and promising series of historians' specialized studies on the post-1945 period. This volume, based on the most up-to-date scholarship, gives a brief incisive summary of Anglo-American relations, emphasizing the early, secret and yet enduring military cooperation between the two countries despite the frequent political and economic disagreements. The author, a British historian, concludes that for all the vicissitudes of an increasingly uneven relationship there was a special link based on common interests and traditional affinities.

OUR EUROPE. By Jacques Delors. New York: Verso, 1992, 166 pp. $29.95.

A lamentably mistitled book: this is a book about France, about the need for far-reaching reforms in France, by Delors and a team of collaborators, originally published in French in 1988. But such is the perspicacity of analysis that the study is still eminently worth reading—even for an insight into the intellectual and political sensitivities of Delors, who has all too often been depicted as a super-Eurocrat. The book deals with the great problems that beset the relations of French society and the French state, with possible solutions to unemployment and of course with proposals about Europe. *En passant*, this striking tidbit: "In 1984 Frenchmen over the age of 15 spent, altogether, more hours watching television than working." At the heart, however, is the realization of "the internal delegitimization of the state. . . . The French no longer have confidence in their state." By now, this is true for most of the European or OECD countries, even if the causes for disaffection are diverse.

Eastern Europe and Former Soviet Republics

Robert Legvold

SHOCK WAVES: EASTERN EUROPE AFTER THE REVOLUTIONS. By John Feffer. Boston: South End Press, 1992, 338 pp. $40.00 (paper, $16.00).

First came a steady stream of books on the collapse of communism in eastern Europe. Not yet books explaining the deeper and tangled sources of this stunning turn of events, but tactile accounts by people who were there and could share the sights and sounds. Now comes the second wave:

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a growing number of books and papers on the morning after. Like their predecessors, they are based on travel to the region and intensive encounters with local leaders, intellectuals and political activists.

Feffer has done a lot of traveling—from eastern Germany to Yugoslavia. He covers these countries and all in between by resorting to a clever shortcut. Each is made an illustration of one feature or phenomenon—the former east Germany, the fate of those who led the 1989 revolution; Poland, economic "shock therapy" and its consequences; Hungary, environmental issues and social activism; Czechoslovakia, foreign policy and the search for a new external identity; and so on. Then, sometimes, comparisons are developed with one or two of the other countries. The general reader will find here, in an easily digestible form, what the specialist already knows: the road ahead is hard, and those traveling it are not likely to provide the same inspiration to the rest of us as did their successful struggle to end communism.

RUSSIA TRANSFORMED: BREAKTHROUGH TO HOPE. By James H. Billington. New York: Free Press, 1992, 195 pp. $19.95.

By chance when the failed putsch of August 1991 occurred, the Librarian of Congress and a distinguished historian of Russia, James Billington, was in Moscow. In an eloquent and highly engaging fashion he weaves together his own comings and goings during the three days and the larger unfolding events. Even for the specialist who may have a rather detailed picture of the essential sequence, Billington offers a great deal. But he has written the book to do more than add insight to the events themselves; he also wishes to provide the deeper meaning of this moment in Russian history. Here, however, the book becomes less compelling, in part because anecdotes, personal encounters and revealing incidents bear less well the weight of that task.

THE SYSTEM: AN INSIDER'S LIFE IN SOVIET POLITICS. By Georgi Arbatov. New York: Random House, 1992, 380 pp. $25.00.

Of the memoirs we have from Soviet leaders and prominent public figures, this is the most interesting and most useful; not because the reader comes away convinced that Arbatov has told all or that he has been utterly candid (even with himself), but because it is an earnest and thoughtful effort to explain to an outside audience what it was like to operate at a well-placed level within "the system." Because the book's unifying theme is what insiders did to reduce the excesses of a harsh and often hidebound order, there is more than a small element of self-justification or, at least, self-explanation involved. But this is done without concealing those points where courage and insight failed and does not therefore detract from the many things that he adds to our knowledge. Arbatov, however, knows immensely more about the shaping of Soviet foreign policy in the 1970s and 1980s than he includes here. Maybe in another book. That would be much welcomed.

THE BLOODY FLAG. By Juliana Geran Pilon. New Brunswick (NJ): Transaction Publishers, 1992, 126 pp. $29.95 (paper, $14.95).

In what is more an essay than a book, the author offers a sweeping historical and philosophical account of nationalism in eastern Europe. Perhaps because the pages are few and the compass broad, the ambitious

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framework at times is scattered and undeveloped. The treatment of Romania, the author's native country and central case, offers a compact survey of the long path to modern Romanian nationhood, but in the end she has less to say about nationalism—recent or current—than about its manipulation by Ceauşescu and his successors and, for that matter, their general abuse of power.

WHY GORBACHEV HAPPENED. By Robert Kaiser. New York: Simon and Schuster, 1992, 522 pp. $14.00 (paper).

Now that it has been rewritten to include the end of the experiment, Kaiser's explanation for "why Gorbachev happened" is the best book to which a general reader can turn to understand this extraordinary turnabout. The book is rich in the texture of events and the telling incident, making it most readable. With that it also offers a sensible, balanced analysis of the broader trends at work, particularly those shaping the political struggle over perestroika.

FAULTY FOUNDATIONS: SOVIET ECONOMIC POLICIES, 1928–1940. By Holland Hunter and Janusz M. Szyrmer. Princeton (NJ): Princeton University Press, 1992, 339 pp. $49.50.

To quote the authors, "This is a study in economic history, designed to identify the economic policies and practices, launched at the end of the 1920s, that have gradually brought the U.S.S.R. to its present unenviable state." Economics as studied by economists, not politics or culture, forms the basis of the book. The heart of the matter for them features three questions: Had the Soviets followed a different growth strategy could the stock of fixed capital have been larger on the eve of the Second World War? Could a different composition of capital stock have better defended the U.S.S.R. against Nazi invasion? And were the sacrifices and hardships imposed on the Soviet people from 1929–40 necessary in order to achieve the regime's economic goals?

HUNGARY: THE RISE AND FALL OF FEASIBLE SOCIALISM. By Nigel Swain. New York: Verso, 1992, 264 pp. $69.95 (paper, $19.95).

By "feasible socialism" the author means market, as opposed to centrally planned, socialism "with a human face." Originally he intended to explain why the Hungarian version of this model was eminently superior to the Soviet model of a command economy, and what was needed to further enhance it. But then 1989 intervened, and as someone who believed in the system, he was left to explain why, to use his words, "history has turned its back on an attractive and plausible real-world option," why it has closed the door to market socialism. He focuses not merely on the months leading up to the collapse but on the prior decade, and he deals with both politics and economics, though primarily the latter.

THE HIDDEN HAND: GORBACHEV AND THE COLLAPSE OF EAST GERMANY. By Jeffrey Gedmin. Washington: American Enterprise Institute, 1992, 167 pp. $17.95.

This is a solid and valuable book. Although principally a student of German affairs, Gedmin writes surely about the Soviet end of the story. This allows him to examine the process leading to the collapse in east

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Germany from both sides, and to trace the links between the two. He has done his research carefully, and he lays the analysis out lucidly and briefly.

THE SONS OF SERGEI: KHRUSHCHEV AND GORBACHEV AS REFORMERS. Edited by Donald R. Kelley and Shannon G. Davis. New York: Praeger, 1992, 253 pp. $45.00.

Khrushchev and Gorbachev both had fathers named Sergei. The authors of this edited volume argue that they had a great deal more in common—but, significantly, as much that divided them. The enterprise is a natural and helpful one, not the least because many observers believe that Khrushchev's reform efforts made Gorbachev's possible. It is also a well-conceived enterprise—good questions are put to the authors by the editors. But as is often true in such undertakings, there is wide variation in the responses. Some authors attempt a serious comparison; others focus almost entirely on the Gorbachev period. Some write after doing new, original research on both periods; others, by rummaging through old stores of knowledge.

FROM UNION TO COMMONWEALTH: NATIONALISM AND SEPARATISM IN THE SOVIET REPUBLICS. By Gail W. Lapidus and Victor Zaslavsky with Philip Goldman. New York: Cambridge University Press, 1992, 127 pp. $9.95 (paper).

An excellent and experienced set of authors who, beyond the editors, include Ronald Suny, Leokadia Drobizheva and Galina Starovoiteva, tackle the question of what nationalism was in the fading Soviet system and from where it had come. Much of their answer has to do with the perverse effects of the original Soviet solution, which ultimately created the problem it was intended to master, and with the equally unanticipated and contrary consequences of Gorbachev's efforts to improve on the existing system.

The Middle East

William B. Quandt

ISLAM AND HUMAN RIGHTS: TRADITION AND POLITICS. By Ann Elizabeth Mayer. Boulder (CO): Westview Press, 1991, 258 pp. $39.95.

As the issue of democratization in the Arab world comes up for debate, many will be asking how Islam fits with the notion of individual rights. Mayer argues that traditional Islam provides a variety of perspectives on the issue of human rights. There is no one correct interpretation. One strand of contemporary Muslim discourse has tried to capture the debate by arguing that there is a distinctive Islamic canon of human rights that diverges from international norms. Mayer disagrees, arguing that there is no such consensus among Muslims and that most such attempts to codify a distinctive Islamic version of individual rights are merely a mask by those with power to preserve it by arguing in favor of cultural distinctiveness. The cases in the book draw from experience with Islamic law in Pakistan, Iran and Sudan, among others. A serious, scholarly book with a strongly developed point of view.

KUWAIT: THE TRANSFORMATION OF AN OIL STATE. By Jill Crystal. Boulder (CO): Westview Press, 1992, 194 pp.

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Had this book existed on August 3, 1990, many would have been consulting it as a reliable guide to the country that was then in the headlines. This book still warrants attention. Crystal provides an impressive introduction to the history of Kuwait, weaving together solid narrative and a helpful analytical scheme. She places understandable emphasis on the role of oil wealth in transforming the nature of the political system, enhancing the power of the ruling family, and weakening the status of the merchant families. Some of her best pages deal with Kuwait's dilemmas in the aftermath of the Iraqi invasion. She unabashedly points to the need for expanded political participation. Her fear is that Kuwait's liberation may have set the stage for a more harshly authoritarian regime in the name of protecting national security.

LINES IN THE SAND: DESERT STORM AND THE REMAKING OF THE ARAB WORLD. By Deborah Amos. New York: Simon & Schuster, 1992, 223 pp. $21.00.

A first-rate radio journalist has written a Gulf War book that mirrors her strengths as a reporter. She has an eye for detail, evokes images and scenes that ring true and portrays Kuwaitis and Saudis in realistic terms. She is especially good at explaining why the United States was caught by surprise and yet proved to be remarkably well prepared to fight precisely the war that Saddam Hussein made inevitable by his intransigence. But the book is weak on analysis and may be overly optimistic about the "remaking of the Arab world" that will result from the war. Still, of this genre of instant history, Amos' book stands out as one of the very best. One serious complaint, perhaps best directed at her editor: How could a book like this be so poorly edited? How could Simon & Schuster publish a book in which "cite" becomes "site," "pole" becomes "poll," and "accelerate" becomes "excelerate," to mention just a few? And how is the ordinary reader to know that Abd al-Aziz ibn Saud is supposed to be the same person as Abd al-Aziz ibn Abd al-Aziz? And the list goes on.

QUAGMIRE: AMERICA IN THE MIDDLE EAST. By Leon T. Hadar. Washington: The Cato Institute, 1992, 217 pp. $24.95 (paper, $14.95).

This is a study that delights in challenging conventional wisdom and often is quite persuasive. The author challenges much of the rationale for American involvement in the Middle East, arguing that the powerful pro-Israeli and pro-oil lobbies have both, for different reasons, wanted the United States to make commitments in the region. The recent Gulf War brought these two domestic forces together behind an interventionist policy, but the author thinks that the United States would serve its own interests and the region would be better off if Washington were gradually to disengage diplomatically and militarily. Some of the author's pessimism about the prospects for an active American policy seem to be related to the intransigence of the former Likud government, and it is not quite so clear whether his prescription for pulling back from the region would now mean abandoning the peace process. The book is often stimulating, but also often frustrating. What is one to do with a throw-away line that implies that the region would be more stable if Israel and Iraq both had nuclear weapons? He also seems excessively optimistic about the possible role that Europe might play in helping the region tackle its many problems.

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AFTER THE STORM: LESSONS FROM THE GULF WAR. Edited by Joseph S. Nye, Jr. and Roger K. Smith. Lanham (MD): Madison Books, 1992, 415 pp. $24.95.

The Aspen Strategy Group organized the conferences that produced the high-quality chapters of this book. The ostensible purpose of the editors is to extract lessons—diplomatic, political, strategic and economic—from the crisis and the war. Some authors do look for these lessons; others simply reflect on the events; all write intelligently. The concluding chapter is an excellent policy exercise. In addition a detailed chronology is provided, along with texts of pertinent U.N. resolutions. All in all, a very useful volume.

TRANSITION TO PALESTINIAN SELF-GOVERNMENT: PRACTICAL STEPS TOWARD ISRAELI-PALESTINIAN PEACE. Report of a Study Group Convened by the American Academy of Arts and Sciences. Bloomington: Indiana University Press, 1992, 160 pp.

Anyone seriously interested in the current Arab-Israeli peace negotiations would do well to consult this report. The political, economic and security issues that would have to be addressed during an interim period of Palestinian self-government are discussed intelligently and in detail. As with any committee product, some of the hard issues tend to be glossed over; and some judgments, such as the need for an election to ratify the results of negotiations, seem off the mark. Also missing is a sense of priority among the many issues discussed. Which are truly essential for the effective working of Palestinian self-government, and which are secondary? Still, this is a very useful volume to have as a reference as the negotiating process unfolds.

PURSUING PEACE: AN AMERICAN STRATEGY FOR THE ARAB-ISRAELI PEACE PROCESS. Final Report of The Washington Institute's Strategic Study Group. Washington: The Washington Institute for Near East Policy, 1992, 75 pp.

In 1988 The Washington Institute's *Building for Peace* provided a rationale for a new approach to Arab-Israeli peace-making built around the idea that negotiations can only succeed when conflicts are "ripe" for resolution. Some of this philosophy still pervades this new report, with the important difference that the authors now believe the time is indeed ripe. They still worry that impatient American negotiators will pressure Israel or coddle the Syrians or the PLO, but on the whole they want to see an active American role in helping the parties to find common ground. This report, calling for continuity and cautious American engagement, will not make the waves its predecessor did but it provides an intelligent, if sometimes debatable, analysis of the parties' positions and suggestions for what the next administration should do. As with the previous report, this one is endorsed by so many politically ambitious people that someone in the next administration will almost certainly have signed on to these ideas.

Asia and the Pacific

Donald S. Zagoria

EVENING CHATS IN BEIJING. By Perry Link. New York: Norton, 1992, 321 pp. $24.95.

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For anyone who thinks China's path to economic modernization is likely to be smooth, this important volume should be required reading. The author, a professor of Chinese language and literature at Princeton, arrived in China one year before Tiananmen, at a time when Chinese intellectuals were relatively free to say privately what they thought. He conducted in-depth interviews with some two dozen intellectuals, including natural and social scientists and humanists who spanned various age groups. The interviews reveal a class of deeply alienated individuals who believe that China is unable to make significant progress toward a modern society and economy in large part because of the Marxist-Leninist system, which stultifies development wherever it exists, including China. In sum, although China's Communist Party has not yet collapsed as in the former Soviet Union and eastern Europe, it no longer commands the loyalty of Chinese intellectuals.

BUILDING SINO-AMERICAN RELATIONS: AN ANALYSIS FOR THE 1990s. Edited by William T. Tow. New York: Paragon House, 1992, 327 pp. $18.95 (paper).

This timely volume includes a number of thoughtful essays by American China specialists on U.S. policy toward China in the post-Cold War era. There is a particularly good essay by John Frankenstein on the economic aspects in which the author concludes that U.S. trade policy needs to be linked to a wider policy that will encourage China to play a positive role in the new world order. David Zweig, in another thoughtful essay, asserts that, since Tiananmen, U.S.–Chinese relations have become vulnerable to "single issue" constituencies in the United States, such as right-to-life advocates, human rights activists, trade protectionists and anticommunists.

FIRES OF THE DRAGON: POLITICS, MURDER, AND THE KUOMINTANG. By David E. Kaplan. New York: Atheneum, 1992, 589 pp. $25.00.

This is a riveting and well-researched account of the journalist and spy, Henry Liu, a former member of the ruling party of Taiwan, the Kuomintang, who was allegedly murdered by a KMT operative in Daly City, California, a suburb of San Francisco. Liu had written an unflattering biography of former KMT boss Chiang Ching-kuo. The author alleges that the murder of Liu was only one part of the KMT's remarkable intervention in the United States, from the feeding of forged documents to McCarthy era witch-hunters to continued spying and theft of high-tech weaponry.

SINO-SOVIET NORMALIZATION AND ITS INTERNATIONAL IMPLICATIONS, 1945–1990. By Lowell Dittmer. Seattle: University of Washington Press, 1992, 382 pp. $35.00.

This is not only the most complete study of Sino-Soviet relations in recent years, it is also impressive in its analytical scope. The author considers the relationship in terms of three key dimensions: patterns of economic development, the search for national identity and the struggle for international power and security. International theorists should find a rich source here.

U.S.-JAPAN ALLIANCE DIPLOMACY 1945–1990. By Roger Buckley. New York: Cambridge University Press, 1992, 225 pp.

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This is a much needed, pioneering study of the evolution of the U.S.–Japanese alliance since 1945. It is based on extensive primary sources, largely American. The author, a historian, is cautiously optimistic about the future. Japan still needs economic and security ties to the United States that could only be broken at the expense of destabilizing Asia and leading to vast problems between Japan and its neighbors. Similarly, no future U.S. administration is likely to disagree with the Kissinger-Vance view that the U.S.-Japanese relationship is vital to both countries. What is at issue is how best to proceed, not the value of the relationship itself.

THE U.S.–SOUTH KOREAN ALLIANCE: TIME FOR A CHANGE. Edited by Doug Bandow and Ted Galen Carpenter. New Brunswick (NJ): Transaction, 1992, 228 pp. $32.95 (paper, $19.95).

This volume on U.S. relations with South Korea does have a sharp focus—the merits of maintaining or removing U.S. military forces from Korea. It suffers from being overtaken by the rush of events in Korea and the world, and it fails to discuss in any coherent fashion the nature of U.S. interests in post-Cold War Asia and the type of strategy that would serve those interests, in Korea as well as elsewhere.

U.S.-KOREAN RELATIONS FROM LIBERATION TO SELF-RELIANCE: THE TWENTY-YEAR RECORD. By Donald Stone Macdonald. Boulder (CO): Westview Press, 1992, 345 pp. $48.50 (paper).

This volume, originally written by the author when he was employed by the U.S. government, is based on recently declassified material in the archives of the Department of State and will be extremely useful to future historians seeking to understand the earlier years of the U.S.–South Korean relationship. It traces the evolution of the relationship from 1945 to 1965.

Africa

Gail M. Gerhart

LESSONS OF STRUGGLE: SOUTH AFRICAN INTERNAL OPPOSITION, 1960–1990. By Anthony W. Marx. New York: Oxford University Press, 1992, 347 pp. $42.50 (paper, $15.95).

This detailed study of South African opposition groups argues that revolutionary movements depend for their success on both material and ideological appeals, and that leaders who want to mobilize the oppressed must search for the most effective strategies of combining these appeals. Based on a wealth of documentary sources and interviews, the book skillfully traces evolving ideological emphases on race, nation and class in black organizations and explores the interplay of these ideas with the concurrent socioeconomic conditions shaping their development.

THE LAST YEARS OF APARTHEID: CIVIL LIBERTIES IN SOUTH AFRICA. By John Dugard, Nicholas Haysom, and Gilbert Marcus. New York: Ford Foundation and Foreign Policy Association, 1992, 254 pp. $12.95 (paper).

IN A TIME OF TROUBLE: LAW AND LIBERTY IN SOUTH AFRICA'S STATE OF EMERGENCY. By Stephen Ellmann. Oxford: Clarendon Press, 1992, 283 pp.

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These two books consider the workings of the South African legal system over the last decade. Dugard and his colleagues present an authoritative survey of the country's segregation and security laws and the state's unbridled application of the latter when faced with mass revolt. Future constitutional options and the current underrepresentation of blacks in the administration of justice are also discussed. Ellmann's book, a landmark study of South Africa's highest court, raises an ethical dilemma: When laws make a mockery of rights and justice, should judges and lawyers resign? The author examines the subtle but crucial role of South African legal tradition and practice in tempering the cruelties of apartheid and suggests that the defense of human rights through the courts in other repressive societies may likewise not be entirely fruitless.

GABON: BEYOND THE COLONIAL LEGACY. By James F. Barnes. Boulder (CO): Westview Press, 1992, 163 pp. $38.50.

More than thirty years after independence, Gabon is still deemed by some to be the most Francophile of all France's former colonies. This compact and competent overview assesses the past and future of Gabon's economic, political and cultural dependency, its efforts in the 1980s to exploit Franco-American competition and its current tentative moves toward political liberalization. There seems to be little evidence so far to suggest that democratization can succeed under the leadership of president Albert Bongo, whose long-autocratic rule has brought the country political stability at a high price in rights and liberties. The author believes that Gabon's ethnic and political realities make a consociational system the best future constitutional option.

A COMPLICATED WAR: THE HARROWING OF MOZAMBIQUE. By William Finnegan. Berkeley: University of California Press, 1992, 325 pp. $25.00.

This is the most vivid and penetrating account to date of the mayhem and devastation in Mozambique in the 1980s. Finnegan, a gifted writer on the staff of *The New Yorker*, has gone after the sordid Renamo story with tenacity and sensitivity, getting close enough to the war on the ground to be able to assess even such complex aspects of the conflict as the phenomenon of social banditry and the influence of traditional healers and spirit mediums.

BEHIND THE EUROCENTRIC VEILS: THE SEARCH FOR AFRICAN REALITIES. By Clinton M. Jean. Amherst: University of Massachusetts Press, 1991, 113 pp. $19.95.

This book aims to add academic depth to the Afrocentricity debate by demonstrating that Western social scientists of both the liberal and Marxist variety have misinterpreted Africa's history. To replace their stereotypes and distortions, the author offers some of his own interpretations. Readers are likely to disagree about whether these are a useful corrective, but the ensuing arguments may be constructive.

THE POLITICAL ECONOMY OF THIRD WORLD INTERVENTION: MINES, MONEY, AND U.S. POLICY IN THE CONGO CRISIS. By David N. Gibbs. Chicago: University of Chicago Press, 1991, 322 pp. $29.95.

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Starting from the observation that the Eisenhower administration supported Katanga's secession from the Congo, whereas the Kennedy administration opposed it, this carefully researched and argued study makes the case for a "business conflict" model of foreign policymaking. The model supposes that many top policymakers, linked to business via revolving-door patterns of government and private sector hiring, are predisposed toward policies consistent with their business interests. The author believes that, although much of the evidence validating his model is only circumstantial, the model's explanatory power is such that it should at least be added to the roster of explanations (statist, pluralist, national character, instrumental and structural Marxist, bureaucratic politics, etc.) most frequently applied in the study of international relations.

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